

OFFICE OF THE INSPECTOR GENERAL

K. Lung Chiu, Inspector General

2015 OIG ANNUAL REPORT

September 2015

Report Fraud, Waste, or Abuse: Fraud Hotline: 855-561-1010
Online: pbscd@ethicaladvocate.com

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.

School Board of Palm Beach County

Chuck Shaw, Chair
Frank A. Barbieri, Jr., Esq., Vice Chair
Marcia Andrews
Karen M. Brill
Michael Murgio
Debra L. Robinson, M.D.
Erica Whitfield

Superintendent of Schools

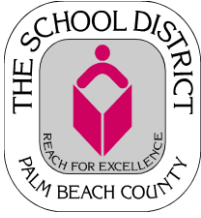
Robert M. Avossa, Ed.D.

Audit Committee

Noah Silver, CPA, Chair
David H. Talley, Vice Chair
N. Ronald Bennett, CPA
Michael Dixon, CPA/PFS
LaTanzia Jackson
Richard Roberts, CPA
Bill Thrasher, CGFO

Representatives

Frank A. Barbieri, Jr., Esq., Vice-Chair, School Board
Robert M. Avossa, Ed.D, Superintendent
JulieAnn Rico, General Counsel
Maureen Werner, Principal Representative
Kathryn Gundlach, CTA President



THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FLORIDA

OFFICE OF INSPECTOR GENERAL
3318 FOREST HILL BLVD., C-306
WEST PALM BEACH, FL 33406
(561) 434-7335 FAX: (561) 434-8652

www.palmbeachschools.org

LUNG CHIU, CIG, CPA
INSPECTOR GENERAL

SCHOOL BOARD
CHUCK SHAW, CHAIRMAN
FRANK A. BARBIERI, JR, ESQ., VICE CHAIRMAN
MARCIA ANDREWS
KAREN M. BRILL
MICHAEL MURGIO
DEBRA L. ROBINSON, M.D.
ERICA WHITFIELD

ROBERT M. AVOSSA, ED.D., SUPERINTENDENT

To: Honorable Chair and School Board Members
Superintendent of Schools

cc: Audit Committee Members

From: Lung Chiu, Inspector General
Noah Silver, Chair of Audit Committee

Date: September 21, 2015

Re: 2015 ANNUAL REPORT

On behalf of the Office of Inspector General (OIG) and the Audit Committee, we present this 2015 Annual Report on the activities and accomplishments of the OIG from July 1, 2014, through June 30, 2015. *School Board Policies 1.091 and 1.092* require the Inspector General and Audit Committee to submit an annual report to the School Board and Superintendent. Audits, investigations, and other related work in this report represent the OIG's continuing commitment to promoting accountability, transparency, efficiency, and effectiveness through our findings and recommendations for corrective actions.

Our audit, review and investigative efforts help foster an atmosphere of greater accountability in our School District. As we perform those functions, we are committed to working cooperatively with all District administrators and staff while maintaining our objectivity and independence. In this report, you will find summaries of audit reports issued, reviews conducted, and investigative actions taken during the past fiscal year, as well as other work efforts of the OIG.

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.

For any audit or report you would like to read in its entirety, you can find the complete audit, investigative or other reports on the OIG website at <http://www.palmbeachschools.org/inspectorgeneral>.

We look forward to continuing to work with the District leadership and staff in meeting our goals and fulfilling our mission. We thank the School Board, the Superintendent and staff for their support and cooperation, and we look forward to continuing this important work.

TABLE OF CONTENTS

1.	About the Office of the Inspector General	4
2.	Organizational Overview	5
3.	Audits	
4.	Overview of Audit Process	6
5.	In General	7-8
6.	School Internal Funds Audits	9-14
7.	Performance Audits	15-17
	Completed Projects	15-16
	Projects in Progress	16-17
	Fieldwork in Progress	17
8.	Special Reviews	18-19
9.	Investigations	
	Overview of Investigative Process	20
	In General	21
	Complaints during FY 2014-2015.....	21-24
	Summary of Multiyear Intake and Hotline Activity	24
	Summary of Completed Investigations for FY 2014-2015	25-29
10.	Compliance and Quality Control	30-33
11.	Economic Impact	34
12.	Value Added to the School District for FY 2014-2015.....	35-36
13.	Advisories: IG and Management.....	37

About the Office of Inspector General

The School Board of Palm Beach County created the Office of Inspector General, in December 2011, upon adoption of *School Board Policy 1.092*. The policy became effective upon the School Board's hiring of the Inspector General in August 2012.

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 and 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.

In carrying out our responsibilities under *School Board Policies 1.092, 1.091, 2.62* and *3.28*, the OIG:

- Maintains an independent objective organization to conduct audits, reviews and investigations.
- Receives and investigates complaints related to our jurisdiction granted by policies.
- Reports all possible criminal violations to School Police or the appropriate law enforcement agency.
- Submits audit, review and investigative reports and recommendations, if appropriate, to the School Board, School Superintendent and Audit Committee members.

School Board Policy 1.092 serves as the OIG Charter. Some of the key provisions of the policy authorize the Inspector General to:

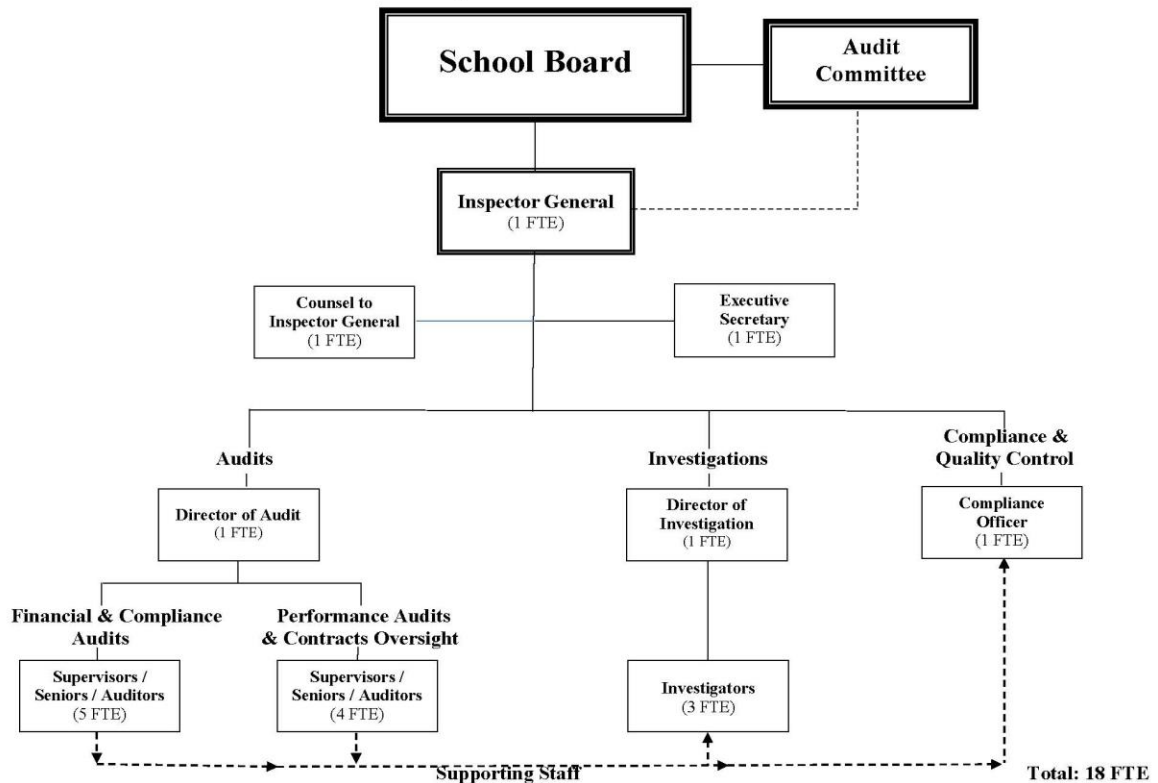
- Audit and investigate matters within the District, as well as vendors/contractors that do business with the District.
- Have immediate, complete and unrestricted access to all District papers, books, records, reports, information, personnel, processes, data, etc.

The OIG reports directly to the School Board to ensure the necessary independence. OIG staff consists of a skilled team of professionals, including an attorney, with expertise in internal auditing, reviews and investigations. The OIG is organized into three areas: audits, investigations, and compliance and quality control

ORGANIZATIONAL OVERVIEW

PALM BEACH COUNTY SCHOOL DISTRICT OFFICE OF INSPECTOR GENERAL

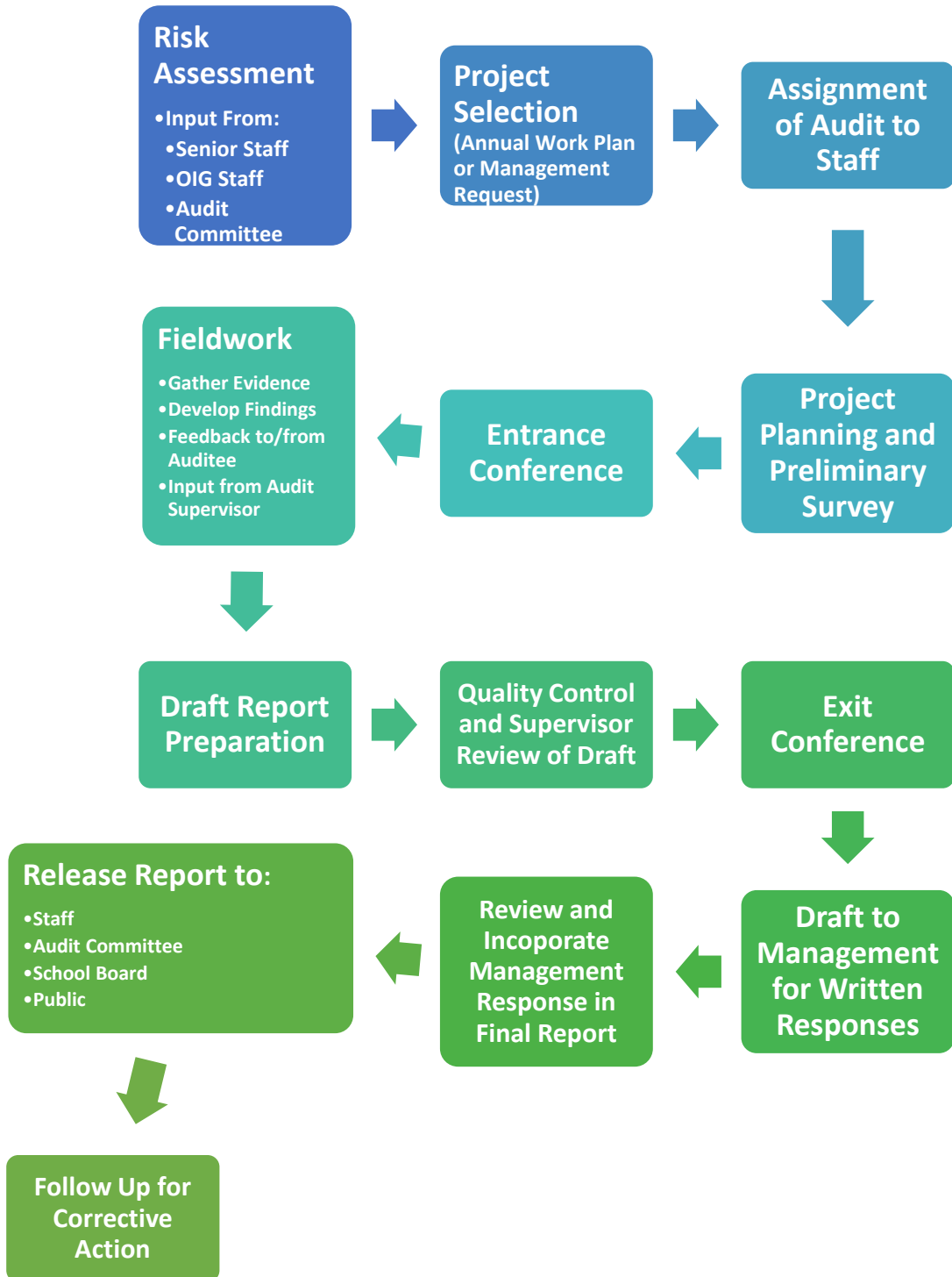
Organization Chart



OIG STAFFING AS OF JUNE 30, 2015: The OIG has a highly educated professional staff where all of the professional staff have at least a four-year degree, and most have either advanced degrees or one or more professional certifications in their areas of expertise.

- 15 professional, 1 administrative, and 2 vacant positions
- Collectively, staff have
 - 13 advanced degrees, and
 - 28 professional certificates, including Certified Public Accountant (CPA), Certified Inspector General (CIG), Certified Inspector General Auditor (CIGA), Certified Inspector General Investigator (CIGI), Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), Chartered Global Management Accountant (CGMA), Certified Management Accountant (CMA)

OVERVIEW OF AUDIT PROCESS



Sources: OIG Audit Manual/Government Auditing Standards

AUDITS

IN GENERAL

Board Policy 1.092 authorizes the OIG to conduct “financial, compliance, performance, management, operational, electronic data processing or other audits of all departments, offices, activities, agencies, contracts, grants, procurements for goods, services, or construction, agreement, and other programs under the operation, control and supervision of the School District.”

District audit work is 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. Please see pages 35 and 36 for value added to the District during FY 2015.

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.

Performance of Non-Audit Services. Consistent with industry practices, the OIG Audit Division performs some non-audit services. Authority for the OIG to perform these services is outlined in *Board Policy 1.092 (4) (c)* which states, in part, the OIG:

- i. May review the actions taken by District offices to improve program performance and meet program standards and make recommendations for improvement, if necessary.
- ii. May provide direction for, supervise, and coordinate management reviews relating to the programs and operations of the District.
- iii. Shall monitor implementation of recommendations made by the office and other audit, investigative and law enforcement agencies.
- iv. May request periodic status reports from audited or investigated departments, offices, divisions regarding corrective actions taken to address reported findings, deficiencies and/or audit recommendations.

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, General Counsel to the School Board, one representative from the Classroom Teachers Association, and one representative from the school principals.



SCHOOL INTERNAL FUNDS

The Audit of Internal Fund Accounts of 175 District Schools is required by *Florida State Board of Education, Administrative Rules 6A-1.087(2)*. Results of Fiscal Year 2014 Audits of the internal funds accounts for District schools are provided below.

SCHOOLS WITH NO SIGNIFICANT NONCOMPLIANCES

We would like to recognize the 34 schools in which no significant noncompliances were identified during the Fiscal Year 2014 Audits. While not every error or control weakness is necessarily identified during our audit engagement, no significant noncompliances or weaknesses were found in the samples examined at the following 34 schools.

Acreage Pines Elementary	Loxahatchee Groves Elementary
Alexander W. Dreyfoos School of the Arts	Meadow Park Elementary
Binks Forest Elementary	North Grade Elementary
Congress Middle	Northboro Elementary
Dwight D. Eisenhower Elementary	Northmore Elementary
Elbridge Gale Elementary	Pine Jog Elementary**
Freedom Shores Elementary	Royal Palm Beach Elementary
Gold Coast Community School	Sandpiper Shores Elementary**
Hammock Pointe Elementary**	Seminole Trails Elementary
Hope-Centennial Elementary	South Intensive Transition**
Howell L. Watkins Middle	Starlight Cove Elementary**
Independence Middle	The Conservatory School @ North Palm Beach
Lake Park Elementary	Timber Trace Elementary
Lake Worth Middle	U.B. Kinsey/Palmview Elementary
Lantana Elementary**	Washington Elementary
Lantana Middle	Waters Edge Elementary
Liberty Park Elementary**	Wynnebrook Elementary**

Schools marked with ** also had no significant noncompliances during Fiscal Year 2013 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.

I. DISBURSEMENTS

During Fiscal Year 2014, all 175 schools in the School District disbursed a total of \$78.6 million in payments for purchases of goods, services, and other expenditures through the Internal Funds. Four findings were noted in the area of disbursements.

Internal Funds Audits (cont'd)

1. Accounts Payable

As of June 30, 2014, four schools owed the Central Office a total of \$241,315. Individual debts ranged from \$17,874 to \$143,154.

<u>School</u>	<u>Fund Balance</u>	<u>Amount Owed</u>	<u>Deficit</u>
Palm Beach Lakes High	\$1,286	\$143,154	(\$141,868)
West Riviera Elementary	4,665	34,978 *	(30,313)
Pahokee Mid/Senior High	33,296	45,309	(12,013)
John F. Kennedy Middle	17,105	17,874	(769)
Total	\$56,352	\$241,315	(\$184,963)

(*As of October 9, 2014)

As management has previously recognized, it is fiscally prudent for the schools to reimburse the District promptly when they are billed for District services. To ensure proper fiscal accountability, the schools should (1) ensure that all unpaid bills are accurately reported on the financial reports submitted to the Central Office and (2) develop a payment plan to pay down the unpaid balance.

2. Disbursements Not Properly Documented or Approved

The District continues to provide ongoing training in financial management for staff, both web-based and face-to-face. The 2014 Audits found that 103 schools (59%) were in compliance with the *Internal Accounts Manual* and related District guidelines for disbursements. However, the audit also revealed that at 72 (41%) of the schools, some sampled 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:

- 9 schools (5%) issued checks with no supporting documentation.
- 13 schools (7%) made payments based on insufficient documentation, such as vendors' account statements or packing lists that did not have the details of the purchases.
- 48 schools (27%) 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*.
- 30 schools (17%) paid consultants without a properly executed written agreement (PBSD 1420) or with written agreements that lacked critical information such as hourly rates, maximum contract amounts, consultants' signatures, etc.
- 16 schools (9%) issued payments based on purchase agreements and contracts signed by staff members instead of the principal.

(Some of the above 72 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. Contractual agreements should be signed by the Principal as required by *District Administrative Directive D-6.03*, which states "the Principal of the school is the only person to whom authority has been granted to make any purchase that in any way obligates the school for payment."

3. Vendors Performed Services on Campus without *Consultant Contract*

In 18 schools, vendors were permitted to perform services at the schools without a written contract. Section 8 of the District's standardized consultant contract (PBSD 1420) 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* document 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 2014, there were 76,767 P-Card transactions for a total P-Card purchases of \$14.1 million.

The School District requires all P-Card users, P-Card site administrators, Principals, and Department Directors to complete the annual online P-Card User-Training. Additionally, all P-Card purchase records and documentation are to be scanned and stored in a central online location for monitoring and assistance to staff, if needed. Random review 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. However, for the Fiscal Year 2014, missing or insufficient documentation for some P-Card purchases were noted in 29 (17%) schools, compared to 19 (11%) schools in previous year. 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 2014, 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: inadequate fundraising documentation and failure to timely deposit monies.

5. Inadequate Fundraising Documentation

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

<u>Noncompliance</u>	<u>Number of Schools</u>
Insufficient/Lack of Documentation	
• <i>Sales Item Inventory Report</i> missing or not used	51
• <i>Sales Item Inventory Report</i> incomplete/completed with inaccurate information	23
• <i>Ticket Sellers Report</i> not used/missing	12
• Record of “give-aways” or damaged items not maintained/documentated	15
Financial Inaccuracy	
• Revenue shortage, according to available sales and purchasing records	26
• Revenue co-mingled in the club’s/activity’s primary account instead of dedicated decimalized account	12
Lack of Authorization	
• <i>Fundraising Application/Recap</i> form missing (no evidence of principal’s authorization)	36
• Fundraising activity started before Principal’s authorization	9
• <i>Sales Item Inventory Report</i> not reviewed and/or signed by Principal	22
Conducted Activities Disallowed by Policy	
• Fundraising through prohibited “drawings of chance” (i.e. raffles)	1
• Fundraising activity conducted to benefit staff	2

To ensure proper fiscal accountability, (1) *Sales Item Inventory Report* and *Ticket Sellers Report* should be completed with accurate information for each fundraiser; (2) the above *Reports* should also be maintained to account for the revenue of sales items such as Yearbook, that might not be primarily intended for fundraising; and (3) items purchased with school funds and provided free-of-charge to students, staff members or the community should follow similar requirements as specified in District’s *Bulletin #P-12690-CAO/COO/P* for gift cards, in that “schools must maintain documentation of all recipients of gift cards.”

While staff has taken proactive steps to strengthen controls and improve compliance, it is important to put accurate information on the *Fundraiser Application/Recap Forms*, *Sales Item Inventory Reports*, and *Ticket Sellers Reports*. Management revised the *Sales Item Inventory Report* in FY14 to require the Principal or Assistant Principal to sign the *Sales Item Inventory Report*, attesting to the unsold items.

Complete and accurate sales information on *Sales Item Inventory Reports* and *Ticket Sellers Reports* is critical to ensure all revenues are accounted for. The IG Office will coordinate with (1) Accounting Department to ensure staff is properly trained for the use of these forms, and (2) Human Resources to ensure that personnel actions will be taken accordingly if fundraising reports are missing or not prepared.

Internal Funds Audits (cont'd)

6. Monies Not Deposited Timely

In 41 (23%) schools, monies collected by staff were not always turned in timely to the bookkeeper for deposit, with delays ranging from one to 161 working days, and an average of nine 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 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) 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

We noted a significant improvement in insurance documentation compliance from last year. For the 2014 Audits, seven (4%) of the schools did not receive proof of adequate liability insurance coverage from some of their lessees. This is down from 56 (32%) schools in Fiscal Year 2013. 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 liability coverage, and specifically includes the School Board as an additional insured party. To protect the School District from 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.

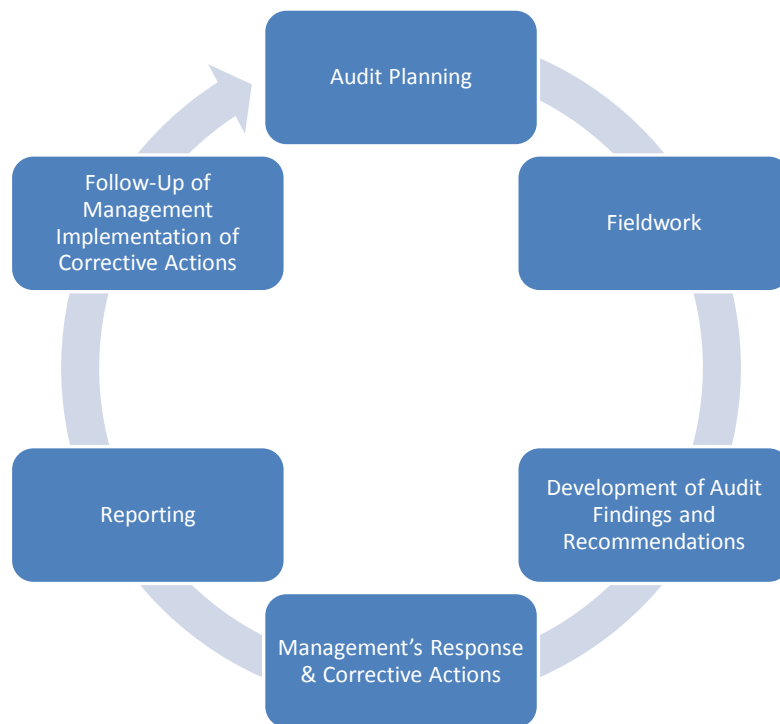
8. Lease Agreement Not Properly Signed

Lease Agreements were not always executed with all the required and dated signatures in a timely manner. Incomplete or missing information was noted on some leases for 38 (22%) schools, a reduction from 54 (31%) schools in Fiscal Year 2013. Beginning in Fiscal Year 2014, management modified the lease 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 for some long term leases, some leases at 27 (15%) schools (down from 42 in Fiscal Year 2013) 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.

Audit Cycle



PERFORMANCE AUDITS

Performance Audits: Completed Projects

1. Audit of Workers' Compensation Program (October 23, 2014)

The primary objectives of the audit were to (1) report the Third Party Administrator's (TPA) internal control system, (2) assess the adequacy of the program's internal control, (3) assess the accuracy and timeliness in managing and processing workers' compensation claims, and (4) determine the extent of compliance with the TPA Contract provisions. This audit produced the following major conclusions:

- The TPA's internal control was sufficient in processing claims.
- District's Risk Management implemented certain best practices a few years ago, but those best practices were not codified in Risk Management's *Procedures Manual*. The *Manual* should be periodically reviewed and updated to ensure that all essential areas for administering the Workers' Compensation Program are complete and up-to-date.
- Some sample medical bills were not paid within 45 days as required by *Florida Statute*.
- The department needs to monitor the overpayments, penalties, and fines that were caused by TPA's staff.
- Risk Management should have formal procedures for write-off of uncollectible accounts.

2. Audit of NAPA Auto Parts Supply Agreement (December 5, 2014)

OIG issued the *Audit of Inventory Controls at Transportation Services Department* in 2012. The audit disclosed significant deficiencies in control of auto parts. Subsequently, the department outsourced the auto part inventory management to an outside vendor (NAPA). The primary objectives of this audit were to (1) determine the extent of compliance with the *NAPA Agreement* in invoicing and purchasing of inventory from the District; (2) evaluate management's performance in establishing and maintaining internal controls in issuance and return of NAPA auto parts, and installation of auto parts per work orders; and (3) determine the extent to which the District's AssetWorks System interfaced with NAPA's Total Automotive Management System (TAMS). This audit produced the following major conclusions:

- NAPA's invoices were accurate and in compliance with contract provisions.
- \$21,979.33 in credit was not given to the District by NAPA. After we notified the department, the District received the payment from NAPA.
- The repair parts listed on NAPA invoices were charged to the correct Work Orders and the parts were installed on the correct vehicles.
- Procedures for returning parts to NAPA were not adequate and not consistently implemented at different locations. As a result, there was no assurance that the District received the proper credits from NAPA.
- Transportation manages all District vehicles through the AssetWorks System, a maintenance management software. However, the system did not have direct interface with NAPA's TAMS system. As a result,
 - The information for parts returned to NAPA and credits due back to the District had to be manually input into both TAMS and AssetWorks Systems.
 - Transportation had to manually cross-check the information on the Daily Purchase Reports generated by TAMS with AssetWorks System in order to reconcile and ensure that credits for returned parts were accurately recorded in both systems.

Performance Audits – Completed Projects

3. Follow-up Audit of Fees Paid to Construction Managers (June 11, 2015)

The primary objective of this follow-up audit was to test implementation of certain corrective actions to determine if previously reported deficiencies have been adequately addressed, or if they continue to exist. This audit produced the following major conclusions:

- Some Corrective Action Plans Not Completed; Some Previously Reported Deficiencies Not Adequately Addressed and Continue to Exist
 - Policies and procedures need to be finalized and formally adopted
 - Contract definitions of General Requirements and General Conditions need clarification
- The Revised *Schedule of Values Form* was not submitted to the Reports and Forms Review Committee for review as required.

4. Audit of District's Technology System Acquisition Procedures (June 11, 2015)

The primary objectives of the audit were to (1) assess the adequacy of controls and governance for technology system acquisitions, (2) determine if the technology systems the School District purchased were adequately planned, implemented as planned, and served the original needs of user, and (3) determine if the School District purchased any system that was not utilized. This audit reviewed 20 sample software purchases, totaling \$11.8 million, or 21% of the total technology expenditures during 2009 through 2013. The audit concluded three findings based on review of the 20 selected sample software systems:

- Only one system was reviewed by three of the District's technology committees:
 - 11 systems were not reviewed by the Technology Advisory Committee (appointed by the School Board)
 - 12 systems were not reviewed by the Superintendent Technology Committee (appointed by the Superintendent)
 - 9 systems were not reviewed by the Technology Clearinghouse Committee (appointed by the Superintendent)
- 16 of the sample systems did not have documentation to demonstrate that any of the essential phases for technology system acquisition and development was conducted.
- The District purchased a \$55,905 software system or program that was never used. There was no supporting documentation to justify the purchase of the software.

Performance Audits – Projects in Progress

As of June 30, 2015, the following projects were not yet complete. However, the fieldwork on such projects has been substantially completed.

1. Audit of Inventory Control of Classroom Technology Devices

The District's Asset Management System (AMS) records and tracks tangible personal property that costs \$1,000 or above. The costs for most iPads and other mobile computing devices are less than the \$1,000 threshold for tracking through the AMS. This audit is to assess the adequacy of controls in safeguarding District owned iPads and other mobile computing devices at the schools.

Performance Audits – Projects in Progress

2. Audit of Accounts Payable

The primary objectives of the audit are to (1) assess the adequacy of internal controls of the Accounts Payable System, (2) determine if information on invoices and Purchase Orders agree with that in receiving reports, and (3) assess the adequacy and timelines of payments after products/services have been received.

3. Audit of Purchase Orders

This audit includes a review of selected *Purchase Orders*, their revisions, the related budgetary controls, and their close-out. The objectives of this audit are to evaluate the adequacy and extent of compliance in controls and procedures for *Purchase Orders* processing.

4. Audit of Fuel Inventory Controls

The objectives of this audit include (1) assessing the adequacy of controls and extent of compliance in safeguarding the fuel inventory at the Transportation Department, and (2) determining the extent of vendors' billing compliance with related contracts.

5. Audit of Controls in Safeguard of District Assets and Disposal of Surplus Property

This audit assesses (1) the adequacy of internal controls within selected departments in safeguarding District assets, and (2) adequacy and extent of compliance in controls over surplus property and the proceeds from these materials.

6. Audit of Adult Education Expenditures and Grant Compliance

The primary objective of this audit is evaluate the appropriateness and compliance with funding sources of the program expenditures.

Performance Audits – Fieldwork In Progress

As of June 30, 2015, fieldwork on the following projects is in progress.

1. Audit of Payroll & Time Collection Device System

The primary objectives of this audit are to (1) evaluate the adequacy of internal controls for recording and processing employees' work hours through the Time Collection Device (TCD) System, and (2) determine the extent of compliance with the District's policies for overtime payroll.

2. Audit of Tririga System

The audit evaluates the adequacy of internal controls in processing school facility leasing, and the extent of compliance with related *School Board Policies* and procedures.

3. Audit of PeopleSoft Security

The objective of this audit is to evaluate the adequacy and extent of compliance in system and procedural controls for accessing the District's Peoplesoft System.

SPECIAL REVIEWS – NONAUDIT

1. Special Review of Freedom Shores Elementary Parent School Organization (PSO) (July 15, 2014)

The special review was conducted in response to a request by the Board of Directors of the PSO, the Principal, and the Area Superintendent. The special review concluded that:

- Between July 1, 2012, and December 4, 2013, the PSO purchased \$8,607 worth of merchandise from a vendor that sells purses, tote bags, and accessories. The treasurer and former vice-president of the PSO were sales agents for the vendor. Sales agents of the vendor receive a 25% commission on their sales.
- Two purchases, totaling \$1,200, had Expense Reports with the signature of the president; but the president said she did not sign the reports.
- \$57,000 in deposits into the PSO's bank account had no documentation of the sources.
- The treasurer kept about \$13,000 of PSO's money from fundraisers in her closet at home instead of depositing it in the bank.
- Twenty-five expenditures, totaling \$8,850.82, did not have supporting documentation for the expenses.
- \$447.88 in gift cards was given to persons without documentation of the recipients.

The PSO closed its bank account in December 2013. Funds and financial records have been transferred to and maintained in the school's Internal Funds.

The conclusions were referred to the School Police. School Police completed its investigation in April 2014, and the conclusions were forwarded to the State Attorney for further actions.

2. Special Review of Marsh Pointe Elementary School's Afterschool Program Revenue Collections (January 16, 2015)

The primary objective of this special review was to determine whether all the Afterschool Program revenues collected during July through October 2013 by the school were properly accounted. This review concluded that:

- \$1,377 was missing.
- \$1,311 in undercharged program fees.
- Money was not timely deposited into the bank.
- Account receivables had a balance of \$8,742, of which \$2,991 (34%) was past due for more than six months.
- Improvements were needed for the fee collections and control of pre-numbered documents.

3. Special Review of Certain Financial Issues at Crosspointe Elementary School (February 13, 2015)

The primary objectives of this special review were to determine whether (1) certain P-Card transactions were appropriate and funded properly, (2) payments to certain school employees funded by the Afterschool Program (ASP) payroll funds were permissible by District policies and guidelines, (3) the ASP budget funds were used appropriately, and (4) the reported enrollment for September 2013 Count Day was accurate. This review produced the following major conclusions:

Special Reviews (cont'd)

- The former principal made a total of \$1,007.60 in questionable P-Card purchases.
- Afterschool Program budget funds were inappropriately used for bookkeeper overtime.
- Custodial foreperson added to Summer Camp payroll was approved by the former principal. There appeared to be no noncompliance with District's guidelines for adding custodial foreperson to the Summer Camp payroll.
- The September 2013 enrollment count appeared accurate.
- The conclusions were referred to Professional Standards Department for necessary actions.

4. Mid-Year Review of Internal Funds for Four Schools (April 10, 2015)

Mid-Year Reviews were conducted in response to principals' requests due to changes in administrator or school treasurers. We reviewed four schools during Fiscal Year 2015: Coral Reef Elementary, Hidden Oaks Elementary, Lantana Elementary, and Lake Worth Middle.

Two minor noncompliances were noted at Hidden Oaks Elementary. No findings were found in the other three schools.

5. Special Review of My Choice Academy, Inc. Charter School (April 10, 2015)

The primary objectives of this review were to assess the adequacy of My Choice Academy Charter School's (MCA) financial management and fulfillment of its fiscal responsibilities. This special review produced the following major conclusions:

- The review of MCA's financial records revealed questionable lease agreements and loan payments, which appeared to be related-party transactions between MCA and My Choice Community Development, Inc. (MCCDI). Both MCA and MCCDI were incorporated / founded and operated simultaneously by the same people.
- MCA paid MCCDI a total of \$131,500 to lease a school facility for a four month period. There was no evidence that MCCDI fulfilled its leasehold service obligations for MCA.
- MCCDI subleased property to MCA without the landlord's consent.
- The District was not aware that MCA had a second lease agreement with the landlord to rent the same space which MCA was also leasing from MCCDI to operate its charter school program.
- MCA checks were issued for payments without dual signature as required by the *Charter*.



OVERVIEW OF INVESTIGATIVE PROCESS



In General

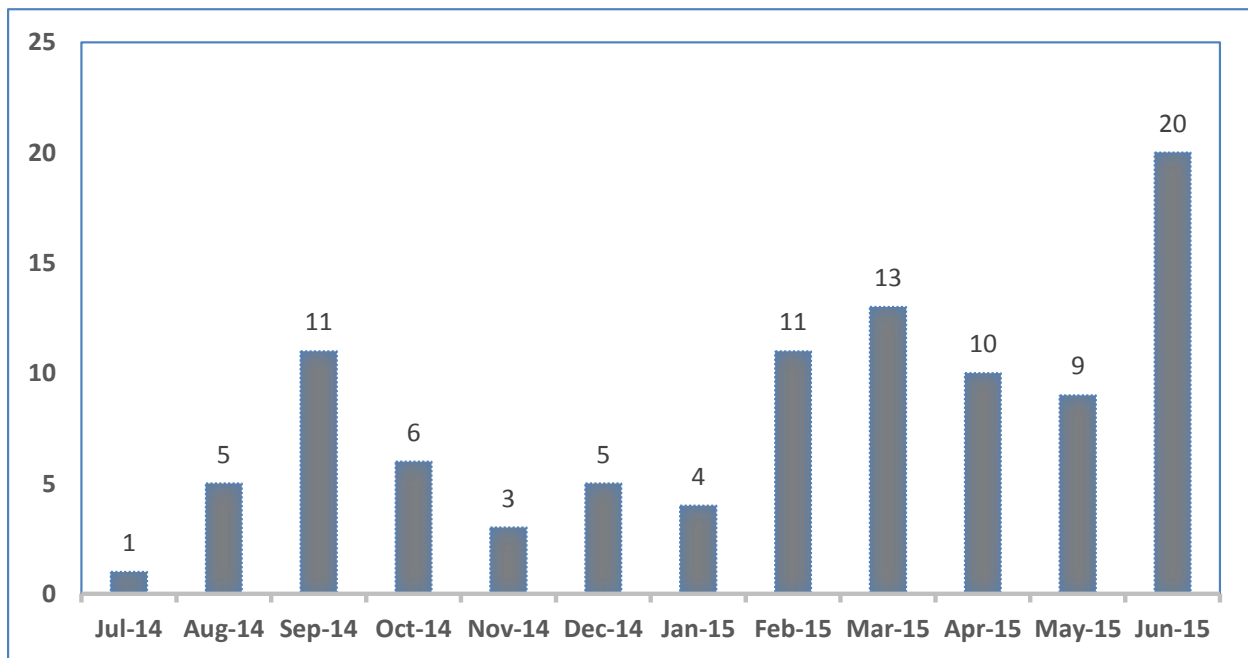
School Board Policies 1.092 and 3.28 authorize the Inspector General to conduct investigations which:

- Detect, deter, prevent and eradicate fraud, waste, financial mismanagement, fiscal misconduct, and other abuses in District government.
- Detect and prevent misconduct, inefficiency and waste within the programs and operations of the District.
- Address complaints regarding District-funded projects, programs, contracts or transactions.
- Address whistleblower complaints consistent with the District's Whistleblower Protection Policy and state laws.

The OIG conducts its investigations in accordance with the Association of Inspectors General's *Principles and Standards for Offices of Inspector General*, generally accepted principles, quality standards and best practices applicable to federal, state and local offices of inspectors general. The Association of Inspectors General drafted these principles and standards based on the quality standards for Federal Inspectors General issued by the President's Council on Integrity and Efficiency. In addition, the OIG, at all times, exercises due professional care and independent, impartial judgment in conducting its investigations and issuing its reports and recommendations.

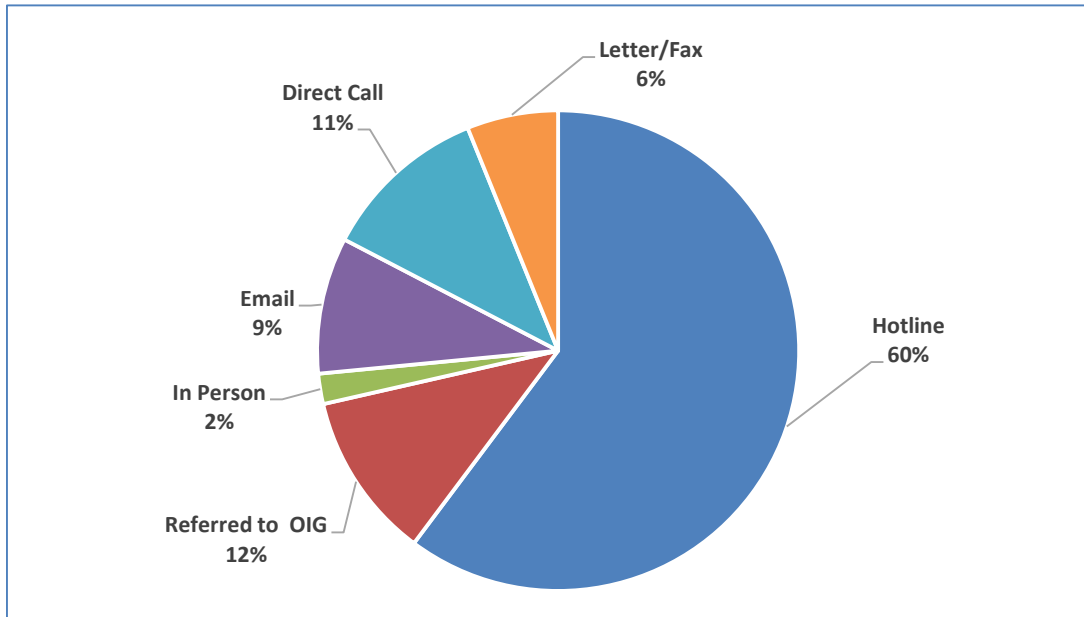
Complaint Activity during FY 2014/15

The OIG received and processed 98 complaints during the fiscal year, as illustrated below.



Investigations (cont'd)

The OIG receives complaints via the hotline, mail, email, telephone, facsimile, in person, and through referrals from other District departments or external agencies. During the fiscal year, the majority of complaints were received via the Inspector General's hotline. Please find below the method by which complaints were received for FY 2014/15.

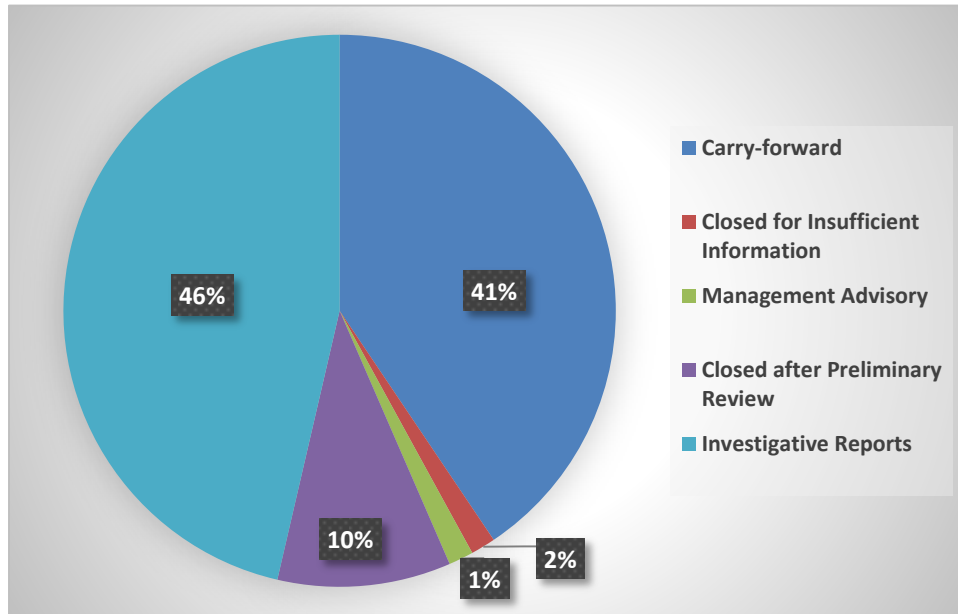


Of the above complaints received, sixty-five (65) of the ninety-eight (98) were anonymous complaints, consisting of 66% of the total complaints received. The OIG responds to anonymous complaints. However, it is challenging to commence an investigation with often little information or the inability to obtain more information from or question the complainant and evaluate the credibility of the information provided. The OIG's ability to be effective is directly linked to accessibility. Many of the complaints have multiple allegations. Complaints which are criminal in nature are referred to School Police. Issues of child abuse and neglect are referred to Florida Department of Children and Families and the relevant law enforcement agency.

Twenty-nine of the ninety-eight (98) complaints were retained by the OIG, and the remaining complaints, after evaluation, were determined to be more appropriately handled by another department, and were formally referred. One additional complaint was referred to Pinellas County, the District's external inspector general, totaling seventy (70) referred complaints during the fiscal year.

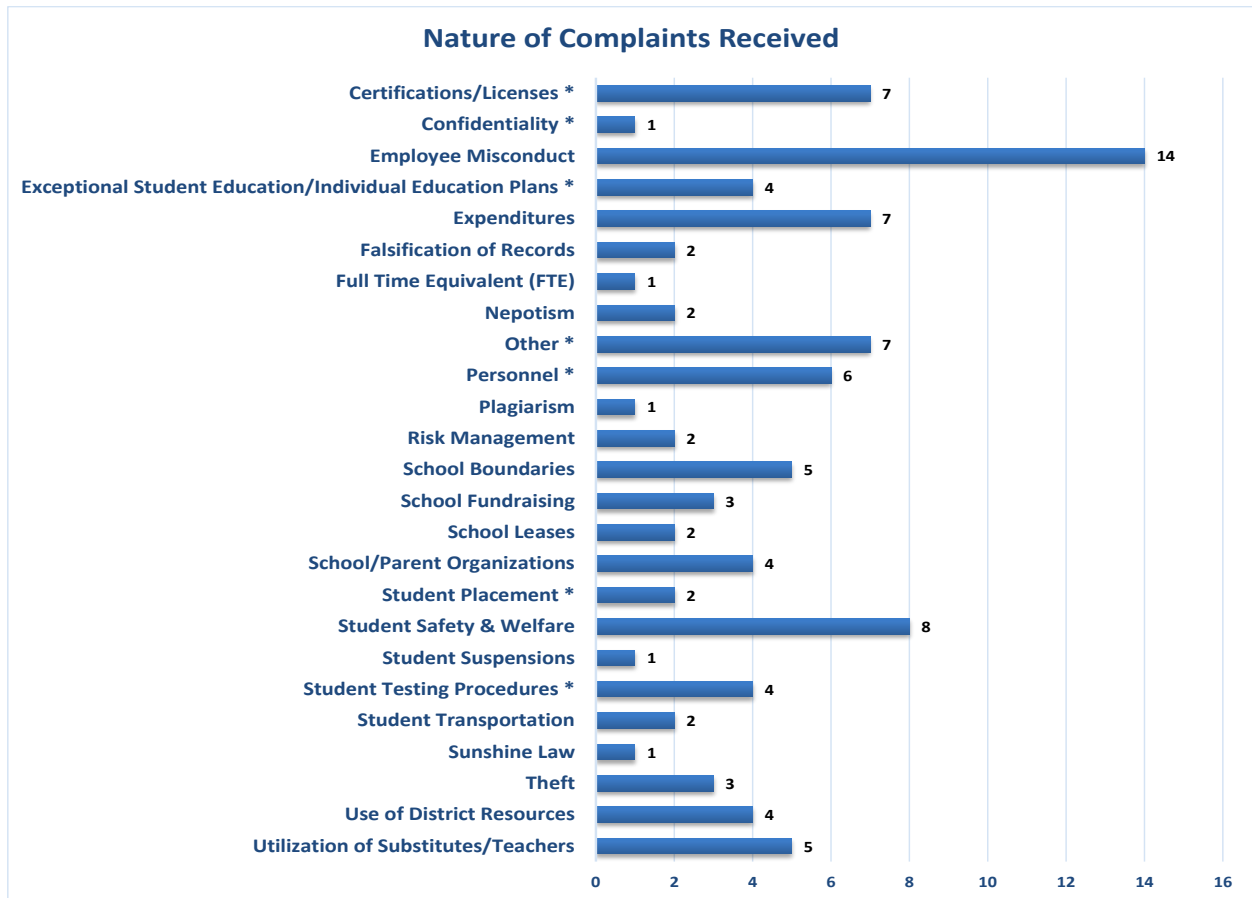
The OIG carried forward forty (40) retained complaints from previous periods, totaling sixty-nine active complaints during FY 2014-15. A preliminary review was completed on twenty-six (26) additional complaints carried forward from previous periods, to determine if a full investigation was warranted.

Of the sixty-nine (69) retained complaints, thirty-two (32) were closed after publishing a formal investigative report, one (1) was closed for insufficient information, one (1) was closed after issuance of a management advisory, and the remaining seven (7) were closed after it was determined there was no basis to move forward, totaling forty-one (41) complaints completed and closed during FY 2014-15. The remaining twenty-eight (28) intakes were carried forward into FY 2015-16. See the following illustration.



Of the seventy (70) complaints that were referred during FY 2014-15, the OIG, as a result of their follow-up efforts, reviewed responses and closed forty-three (43) of the referred complaints. The remaining twenty-seven (27) complaints were carried over for follow-up during FY 2015-16.

For the above-referenced 98 complaints received, the table below reflects the nature or types of complaints received in Fiscal Year 2014-15.



**Includes complaints related to Charter Schools*

Investigations (cont'd)

The summaries of referrals/work presented below reflect our work with management within the District, School Police, and any required external agency, in accordance with Board policy and law.

Referrals

District Departments

- Office of Professional Standards (30)
- Chief Academic Office (20)
- Charter Schools (11)
- School Police (5)
- Support Operations (2)
- Risk & Benefits Management (1)

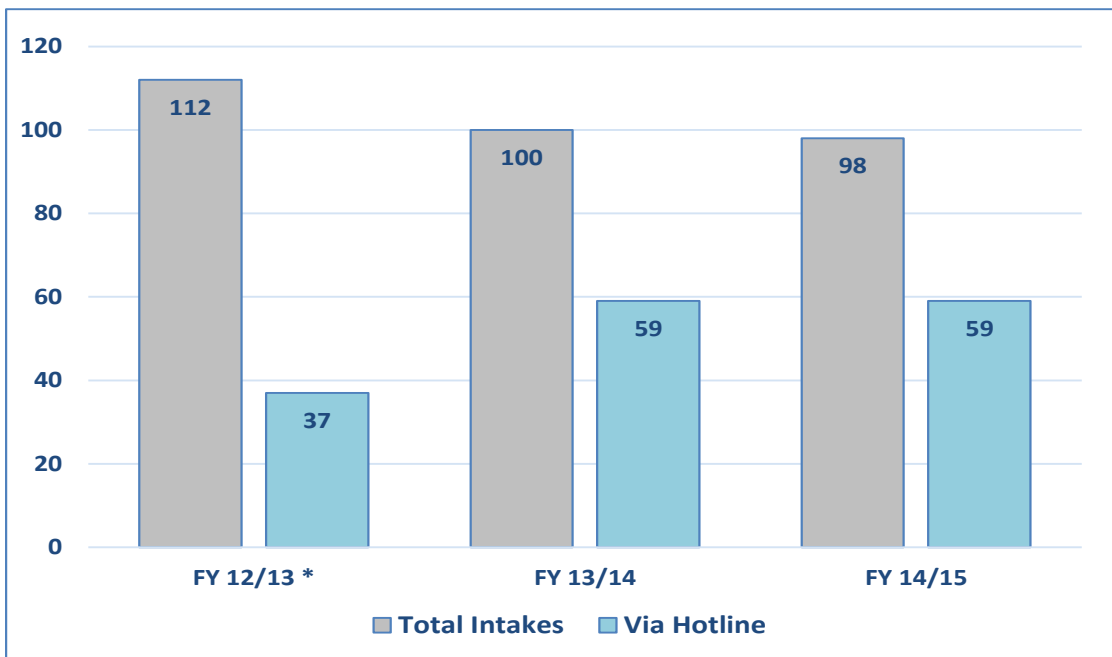
External Agencies

- Division of Inspector General, Pinellas County (1)

Summary of Multi-Year Complaints Received

Since the creation of the OIG, the office has consistently received an average of 100 complaints per fiscal year.

Multi-Year Total Complaint and Hotline Activity



**Hotline implemented in March 2013*

SUMMARY OF COMPLETED INVESTIGATIVE REPORTS

Falsification of Records or Documents

Case No. 13-098: This investigation was initiated in response to a referral from the Office of Professional Standards. The complainant alleged that a District teacher provided an incorrect date of birth for her child to the District and manipulated associated documentation.

The OIG concluded the allegation was substantiated and referred the matter to School Police. School Police subsequently referred the matter to the State Attorney's Office.

School Fundraising

Case No. 13-044 This investigation was initiated in response to a complaint received via the Inspector General's Hotline alleging improper fundraising, collection of money, and sale of tickets for a Spanish Honor Society luncheon at **Suncoast High School**.

The OIG concluded non-compliances with District fundraising policies and the allegation was substantiated.

Case No. 13-113 The investigation was initiated in response to a complaint received through the Inspector General's Hotline regarding a fundraising activity at **Roosevelt Community Middle School**. The complainant objected to 1) various fundraising activities held by the school to benefit an employee with health issues; 2) use of a school venue to benefit an employee without charging a rental fee; and, 3) "making students pay" to attend a school dance to benefit the employee.

The OIG concluded that the allegations were unfounded.

Case No. 13-050 The investigation was initiated in response to a complaint received by the OIG and a referral from School Police regarding a teacher at **Dreyfoos School of the Arts**. The initial allegation was: 1) A music teacher charged students for the return of the student's cell phone, left behind after a choir performance. As a result of the OIG's preliminary review of this matter, including our review of statements taken by School Police, other allegations were raised that the Teacher inappropriately: 2) Sold bottled water to students; 3) Sold recorded concert CD/DVD's to students; and, 4) Provided student scholarships from an unknown source of funds.

The OIG concluded allegations 1 and 2 regarding the inappropriate charging of fees to students and selling of bottled water were substantiated. The two other allegations, 3 and 4, were unsubstantiated and unfounded, respectively.

Improper Expenditure or Misappropriation

Case No. 13-072

The investigation was initiated in response to a complaint received via the Inspector General's Hotline regarding potential improper activities at **Glades Central High School**. The complaint included ten separate reported issues. Of the ten complaints, the Office of Professional Standards was referred the non-financial allegations including favoritism, lack of ethics, inappropriate relationships, and inadequate staffing. The OIG reviewed the remaining allegations that: 1) iPads or grant dollars earmarked to purchase iPads had been misappropriated; 2) a specific employee was paid from incorrect funding sources and that related documentation had been falsified; 3) the State Improvement Grant funds in the form of Pay For Performance bonuses were improperly paid to teachers; 4) Title I funds had not been properly used; and 5) athletic stipends were paid for a swim team, when no such swim team existed.

The OIG concluded that each of the five allegations were unfounded.

Case No. 14-123

The investigation was initiated in response to allegations regarding the Statewide Online **Tobacco Prevention Intervention Teacher Training Project** ("Project"). The complainant alleged 1) inappropriate termination of a consultant working on the Project; 2) nepotism in the form of a Project consultant who is directly supervised by a Project manager with whom the consultant shares a residence; and, 3) fraudulent misappropriation and unauthorized use of Project funds.

We referred issue #1 and #2 to the Office of Professional Standards. The OIG investigated issue #3. The OIG concluded the allegations of fraudulent misappropriation and unauthorized use of Project funds were unsubstantiated.

Case No. 14-115

This investigation was initiated in response to a complaint sent to School Board Members and the Superintendent regarding **Pahokee Middle/Senior High School (School)**. The complaint alleged 1) sexual misconduct by school staff; 2) employee(s) cover up of the arrest of a school employee for fraud; 3) employment application documents altered; and 4) agricultural income inappropriately used, and \$60,000 of unaccounted income.

The results of the OIG's investigation concluded:

(1) the District properly addressed the first three allegations. However, the above allegation regarding agricultural income inappropriately used was not investigated. As a result, the OIG expanded the scope of the investigation specifically on the fourth item.

(2) the District properly recorded agricultural income for Fiscal Years 2010 through 2014. Consequently, the allegation regarding unaccounted agricultural income was unfounded.

(3) a portion of agricultural income, totaling approximately \$32,843, was expended outside of required student-related activities, inconsistent with the account definition for Sugar Cane Operations. Thus, the allegation regarding inappropriate use of agricultural income was substantiated.

The OIG recommended that the District management update its agreement with a local grower and revise its land lease agreements affecting two District schools.

Improper Expenditure or Misappropriation

Case No. 12-009 This investigation was initiated in response to a complaint received by the OIG alleging receipt of unauthorized overtime payments for work not performed by the Principal's secretary and the Principal's knowledge of same, at **Lake Worth High School**.

The OIG concluded the allegation regarding the overtime payments was technically inaccurate because the overtime work was performed and therefore, the allegation was unfounded. However, the OIG determined the secretary inappropriately manipulated the School's budget to fund overtime payments to herself.

The OIG concluded and substantiated that the Principal did have knowledge of the secretary receiving overtime and had allowed the secretary to inappropriately have access to his logon and approval privileges.

Case No. 13-078 This investigation was initiated in response to a complaint received via the Inspector General's Hotline alleging improper payroll payments and falsification of FTEs at various **Education Alternative Sites**. Other allegations were referred to the Office of Professional Standards.

The OIG concluded the allegations were unfounded.

Case No. 14-195 This investigation was initiated in response to a complaint alleging that the former Principal of Dr. Mary McLeod **Bethune Elementary School** ("School") improperly spent a portion a grant from TD Bank. The grant was to be used to *purchase of new books, technology resources or to provide support to other worthwhile library programs. This grant should not be applied to operating expenses.*"

OIG investigation revealed the entire grant amount was spent in accordance with the provisions set forth in the grant. Thus, there was no financial misstatement or misapplication of funds as alleged.

Case No. 14-148 This investigation was initiated in response to a complaint received via the Inspector General's Hotline alleging financial abuses related to the District's P-card and other non-financial issues. The non-financial allegations were referred to the Office of Professional Standards.

The OIG concluded the allegations regarding misuse of a District credit card were unfounded.

Abuse of Position

Case No. 13-058a This investigation was initiated in response to a complaint received by the OIG alleging an exchange of monies between **Benoist Farms Elementary School** Principal and the complainant. The complainant alleged staff were inappropriately compelled to loan funds and that those funds were not repaid by the Principal.

The OIG concluded the allegations were unsubstantiated.

Student Placement

Case No. 14-174 This investigation was initiated in response to a complaint received by the OIG alleging the selection criteria and process for the strings program at **Bak Middle School of the Arts** for School Year 2014-15.

The OIG concluded an allegation regarding the improper application of a sibling preference was unfounded. Three additional allegations regarding the District improperly administering the selection preference criteria, publishing inaccurate information regarding the method used for the lottery selection process and the number of seats available for the program were substantiated.

Administrative Programs

Case No. 13-053 This investigation was initiated in response to an employee complaint. The complainant objected to the District's establishment of a **Visa Card Program** (Cash Pay) account on the employee's behalf.

The OIG concluded that the allegation was unfounded.

Case No. 14-122 This investigation was initiated in response to a complaint received by the Inspector General's Hotline alleging an improper vote was conducted to determine the allocation of **School Recognition Funds** at Binks Forest Elementary.

The OIG concluded the allegation was unsubstantiated and recommended the District consider providing additional guidance regarding the methodology of determining the distribution of School Recognition Funds.

Parent Teacher Organization

Case No. 13-039 This investigation was initiated in response to a concern received via the Inspector General's Hotline regarding the transition of the **Frontier Elementary Parent Teacher Organization** (PTO) and the regulation and distribution of PTO fundraising money.

The OIG did not note any noncompliance in (1) the transition of the PTO from an external to an internal organization, or (2) the regulation and distribution of the PTO's fundraising money.

School Leasing

Case No. 15-211 This investigation was initiated in response to a complaint received by the OIG alleging unauthorized use of a nonprofit organization's status by a semi-professional basketball team, which received the reduced fees on leasing school facilities at **Boynton Beach High School**.

The OIG concluded the allegations were substantiated and reported on numerous other related policy violations

Mandatory Reporting Violations

Case No. 13-112 This investigation was initiated in response to a complaint received by the OIG alleging: 1) the District did not investigate the physical education issue at **South Olive Elementary** despite the complainant's several requests; 2) the matter is substantively important and impacts FTE funding received by the District; and, 3) the former South Olive Principal submitted false and fraudulent reports to the District regarding the amount of physical education time provided.

The OIG concluded allegations regarding the District's failure to investigate the matter and impact to FTE funding were unfounded. An allegation regarding the submission of false and fraudulent reports was unsubstantiated.

Case No. 14-117 This investigation was initiated in response to a complaint received by the OIG and a related complaint filed with the FDOE Office of Inspector General regarding potential irregularities related to FTE reporting, testing administration, and other issues at **Intensive Transition South** Charter School. Certain allegations were referred to the Office of Professional Standards.

The OIG concluded the allegations were unsubstantiated.

This investigative report addresses also **Case No. 14-156**.

Charter Schools

Case Nos. 13-007 This review was initiated in response to numerous allegations regarding the **G-Star School of the Arts** Charter School. Allegations related to school facilities, ESE, and health, safety and environmental conditions were referred to the appropriate District departments and external agencies. The OIG reviewed several areas including the School's governance structure, budgeting, financial management and FTE reporting.

The OIG investigation identified several weaknesses and areas of concern that could negatively impact the governing board's fiscal oversight and responsibilities under the *Charter Agreement* and the Charter School Statute. Other issues of internal control weaknesses included lack of segregation of duties, no inventory of pre-numbered documents, and absence of a chart of accounts. Additionally, there are no records to substantiate the Board's receiving and approving disbursement reports as required by the *Charter Agreement*. OIG did not find any issues related to FTE reporting.

Case No. 14-130 This investigation was initiated in response to complaints received by the OIG alleging financial abuses and other issues at **Franklin Academy-Boynton Beach** Charter School. Certain allegations were referred to the Charter School Department for further action.

The OIG concluded an allegation regarding the school failing to properly distribute the State Teacher salary allocation was substantiated. Two other allegations regarding FTE reporting and a vendor conflict of interest were unsubstantiated.

The OIG noted that the Charter School's holder/Foundation had failed to file required annual tax returns of a 501(c)(3) Tax-Exempt organization resulting in the revocation of the Foundation's Federal tax-exempt status by the IRS.

The investigative report addresses also **Case Nos. 14-126, 14-130, 14-133, 14-134, 14-135, 14-141, and 14-166**.

Compliance and Quality Control

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 compliance with all professional standards.

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.

This function also (1) recommends updates and revisions to the OIG Policy and Procedures Manual to further ensure a consistently high level of audit quality, (2) coordinates follow up of all audit or investigation recommendations issued by the OIG, external auditors, and agencies, (3) serves as the liaison to other departments and agencies, (4) monitors and helps acquire necessary professional development, certifications, and training for all OIG staff, (5) assists in developing the Annual Work Plan, and (6) performs other critical support activities.

Revisions to the Policy and Procedures Manual

In response to a request of the School Board, a supplement to the OIG’s Policies and Procedures Manual was drafted during the fiscal year, and was adopted by the Audit Committee on October 23, 2014. The supplement was entitled “*Treatment of Allegations Against School Board Members, the Superintendent, the Inspector General or Other OIG Employees*”. The purpose of this supplement is to provide OIG employees with clear procedures for referring allegations of misconduct or other wrongdoing against a School Board member(s), the Superintendent, the Inspector General and other employee(s) in the Office of Inspector General, in accordance with School Board Policy 1.092 (Inspector General). Since the implementation of the procedure, the OIG has utilized the procedure on one (1) occasion.



Compliance and Quality Control

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. During the fiscal year, the OIG followed up on 10 reports containing 59 recommendations.

Liaison with External Auditors/Agencies

The OIG ensures effective coordination and cooperation between the School District and the State Auditor General, 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.

Professional Development/Certifications/Training

The Compliance and Quality Control function monitors and helps to acquire training and education for staff to ensure compliance with the Continued Professional Education (CPE) requirements outlined by *Government Auditing Standards* and *Principles and Standards for Offices of Inspector General*.

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 are members of the Association of Inspectors General (AIG), a national organization of state, local and federal Inspectors General and their staffs. During August 2014, two OIG staff received the designation of *Certified Inspector General Investigator*, and one staff member received the designation of *Certified Inspector General* after undergoing training and testing by the AIG.

To provide CPE classes for staff in an economic manner, several group training opportunities were provided for staff as outlined on the next page. The webinars are provided in-house through our office, at minimal or no cost. Seminars were provided by other sponsors.

OFFICE OF INSPECTOR GENERAL GROUP TRAINING ACTIVITIES			
Date	TOPIC	Type	Number of OIG Attendees
7/27/14	Association of Inspectors General Summer 2014 Certified IG Institute	Seminar	3
8/6/14	Deploying Analytics to Find and Prevent Accounts Payable and Check Fraud	Webinar	9
8/27/14	Basic Accounting and Financial Audit Concepts for Non-Accounting Majors	Webinar	4
9/9/14	Statistical Sampling Methodology	Webinar	11
9/17/14	Finding and Preventing Vendor Procurement & P2P Fraud	Webinar	6
10/14/14	Inventory Management Auditing: Lessons from the City of Palo Alto	Webinar	5
1/13/15	IT Audit for non-IT Auditors	Webinar	10
1/16/15	Palm Beach County IIA Risk Based Auditing Seminar	Seminar	5
1/23/15	IIA Miami Chapter Internal Audit Conference – Internal Audit Transformation	Seminar	3
2/10/15	The Supercircular: The Changes Coming in Federal Grants Rules	Webinar	6
2/11/15	GAO’s New Green Book: A Revised Internal Control Framework for Government Webinar	Webinar	8
2/25/15	Profile Your Organization and Employees for Their “Fraud Quotient”	Webinar	11
2/25/15	Establishing Risk Management and Controls for State Government	Seminar	8
2/27/15	IIA Workshop: Using Data Analysis to Detect Fraud and Error	Seminar	7
3/10/15	Taking the Mystery Out of Counting CPE	Webinar	9
3/26/15	Visualizing Fraud Patterns: Exposing the Hidden Threat	Webinar	9
3/27/15	Ethics and the Stewardship of Public Trust	Seminar	3
3/31/15	The Inseparables: Leadership, Values, and Ethics	Seminar	2
4/14/15	Better Reports Through Graphics, Data Analysis and Clear Writing	Webinar	10
4/24/15	Challenges and Opportunities in the World of Government Auditing	Seminar	9
4/30/15	Detecting Journal Entry Games	Webinar	8
5/8/15	Writing to Achieve Results	Seminar	6
5/29/15	McGladrey’s Government Sector Seminar	Seminar	9
6/16/15	Professional Skepticism	Webinar	8
6/29/15	Practical Application of Accounting Ethics	Seminar	2

Compliance and Quality Control

Office Accreditation

Additionally, the Compliance and Quality Control Function initiated efforts for the OIG's investigative function to obtain Florida Commission for Law Enforcement Accreditation (Commission). This accreditation program is recognized as a means for obtaining the highest standards of professionalism for the investigative function, and it will enhance the consistency and quality of investigations. In order to receive Accreditation, the OIG will be required to demonstrate compliance with all standards, complete a detailed self-assessment, and undergo an on-site review of policies, procedures, and practices. The OIG will be allowed up to 24 months to complete the Accreditation process. The Commission highly recommends one staff be assigned full-time to accreditation duties; thus, and we have included Accreditation in our 2015-16 Annual Workplan.

Recruitment of Staff

The OIG seeks to maintain a workforce committed to quality performance, excellence, and accountability. The Officer of Compliance and Quality Control coordinated all recruitment activities of the OIG throughout the year including advertising, screening, interviewing, selecting, and recommending the most qualified candidates to serve. Two new staff were hired during the fiscal year to fill existing vacancies.

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, and (2) receiving, reviewing, and investigating numerous complaints related to charter schools.

We also 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 also provided input on (1) proposed revisions to the State standard charter contract that was presented to the State Board of Education for adoption, and (2) revisions to the District's standard charter.

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 five contract selection and/or negotiation meetings, sometimes unannounced, and provided feedback to staff where appropriate.

Update OIG Website. The Compliance and Quality Control function has continuously updated the OIG's website during the fiscal year to ensure the information is accurate, and that final audit and investigative reports are posted timely.

Construction Oversight and Review Committee (CORC). To facilitate the School Board's desire for increased oversight in improving District operations, OIG staff regularly attended and participated in the monthly CORC meetings throughout the fiscal year.

ECONOMIC IMPACT

The OIG is committed to identifying and reducing any possible waste, fraud, and abuse; and to identifying opportunities for achieving economy, efficiency, and effectiveness that may result in the savings of funds that can be used towards teaching and learning. We will continue to identify emerging risks and vulnerabilities throughout the District's operations and programs, recommending corrective actions to ensure that District funds are used for the purposes intended.

Benefits of Auditing

As we discussed on pages 7 and 8, the benefits of auditing can only come from implementation of audit recommendations. Audit recommendations should result in improvements, and be practical, implementable, and the implementation cost 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.

The value of auditing can be determined by (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.

Benefits of Investigative Function

The OIG investigative function serves to promote and reinforce a culture of transparency and compliance throughout the District, and has a far-reaching deterrent effect on illegal and improper acts.

Through their creation of this independent investigative function, the School Board reinforced to employees, the public, and other stakeholders their expectations of good financial stewardship and adherence to applicable laws, School Board Policies, District procedures, and other rules.

OIG investigations are designed to independently communicate relevant facts so that both District administration and the School Board can evaluate and, when necessary, make fully informed decisions regarding issues raised.

Investigations present the opportunity for the District to identify and stop inappropriate conduct, correct identified problems before they worsen, reduce future exposure, and frequently result in the discovery of valuable information beyond the scope of the initial allegations.

Value Added to the School District During FY2015

PROJECTS	Fiscal Impact	
	Increase in Revenues / Decrease in Costs	Questioned Costs/Expenses
<u>Financial and Compliance Audits</u>		
Estimated Revenue Increases in Afterschool, Summer Camp, and School Facility Leasing Programs	\$1,122,007 *	
2014 Internal Funds Audits		
- Disbursements		\$416,372
• Expenses with inadequate documentation		39,823
• Expenses with no supporting documentation		149
• Undocumented gifts	1,892	
• Overpayments and unneeded expenses		
- Cash Receipts and Fundraisers		40,190
• Cash and fundraising revenues unaccounted for		17,082
• Undocumented gifts		12,500
• Fundraiser deficits		
- Leasing of School Facilities		306
• Undocumented fee waivers		
• Uncollected and undercharged rentals	13,679	
- Afterschool Programs		4,400
• Unapproved/undocumented fee waivers		186
• Unaccounted revenues		
• Undercharged and uncollected program fees	1,998	
- Adult and Community Education Programs		394
• Unaccounted revenues		
	\$1,139,576	\$531,402
<u>Performance & Special Request Audits</u>		
- Special Review of My Choice Academy, Inc., Charter School		\$103,900
- Audit of District's Technology System Acquisition Procedures		55,905
- Special Review of Freedom Shores Elementary School's PSO		15,909
- Audit of Workers' Compensation Program		3,243
- Special Review of Certain Financial Issues at Crosspointe Elementary School		1,007
- Audit of NAPA Auto Parts Supply Agreement	\$21,979	
- Special Review of Marsh Pointe Elementary School's Afterschool Program Revenue Collections	2,509	
	\$24,488	\$179,964
<u>Investigations</u>		
- Franklin Academy Charter School		\$202,788
- Lake Worth High School Overtime Payroll		46,773
- Pahokee Middle/Senior High School	\$163,000	32,844
- G-Star School of the Arts		2,195
- Tobacco Prevention Grant	320,000	
- Boynton Beach High School Facilities Leasing	10,584	
- Dr. Mary McLeod Bethune Elementary School	5,000	
	\$498,584	\$284,600
Total Fiscal Impact For FY2015	\$1,662,648	\$995,966

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	\$402,891
Leasing of School Facility	<u>719,116</u>
Total	<u>\$1,122,007</u>

The above estimated revenue increases represented the differences between the actual revenues collected during Fiscal Year 2015 and the 10-year average annual collections during Fiscal Years 2005 through 2014. 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.

Audit and Investigation Findings and Recommendations

During Fiscal Year 2015, our audits and investigations produced 846 audit findings and 846 recommendations for improvements: 414 in internal controls; 379 in compliance; and 53 in efficiency, effectiveness, and program results.

Benchmark for Audits

	National Average **	School District of Palm Beach County
Audit \$ to \$ Savings	\$1 : \$0.83	\$1 : \$1.41
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 : \$1,225

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

Office Advisories

IG Advisories and Management Advisories

The OIG publishes the *IG Advisory* and prepares management advisory for District leadership. For Fiscal Year 2014-15, the OIG has prepared two IG Advisories.

- *IG Advisory*, August 2014, focused upon Internal Controls of Non-School and School Sponsored Groups, providing concerns and recommendations.
- *IG Advisory*, February 2015, focused upon the following topics:
 - School Internal Funds: Repeat Audit Findings and High Risk Areas
 - Compliance Being Every Employee's Job
 - OIG Hotline

During FY 2014-15, the OIG instituted the use of management advisories. Such advisories will be issued to provide management with information requiring an immediate need for corrective action, as to safeguard monies or properties of the District or to address conflicts of interest. One management advisory was issued during the fiscal year.

- *Management Advisory: Glades Area Agricultural Income*, February 2014. The management advisory was written to advise management of certain terms and conditions of the use agreement between the District and the State Board of Trustees of the Internal Improvement Trust Fund. Based upon findings, OIG recommended to management that:
 - Management determines whether it is reasonable and beneficial for the District to institute an agriculture educational program (consistent with the provisions of the State Board of Education) and seek a modernization of the Land Use Agreement with the Board of Trustees of the Internal Improvement Trust Fund, including public-private partnerships with local farmers regarding the applicable land, OR
 - Alternatively, determine if the Board of Trustees would release the School Board from the requirement that the parcels be used only for agricultural education projects and purposes, while still permitting the local farmers to farm such lands to benefit the local schools; AND
 - To protect the best interests of the schools and the District, that agreements with the local farmers be formalized and submitted to the School Board for their approval.
- *Management Advisory: Written Procedures to Address Conflicts of Interest in Purchasing Department*, September 2014. The management advisory was written because:
 - During an audit, the OIG did not find any written procedures in the Purchasing Department to govern potential or actual conflicts of interests related to purchasing agents and employees in the Purchasing Department, to ensure compliance with the *Florida Code of Ethics* and *Board Policy 3.02*.
 - No evidence was observed by OIG indicating the construction purchasing agent had filed the required Florida Commission on Ethics form.

Tell us about fraud, waste, or abuse involving PBCSB programs, contracts or funds



pbcsd@ethicaladvocate.com



855-561-1010

We encourage you to use the above email or Hotline to file a complaint; however, you may call or write the Office of Inspector General to file a complaint.

**File a WRITTEN
COMPLAINT
With the OIG**



Suite C-306, FHESC

(561) 434-7335