

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2020-197  
April 2020

**OSCEOLA COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2018-19 fiscal year, Dr. Debra P. Pace served as Superintendent of the Osceola County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Teresa Castillo from 11-20-18	1
Jay Wheeler through 11-19-18	1
Kelvin Soto, Vice Chair from 11-13-18	2
Tim Weisheyer	3
Clarence Thacker, Chair from 11-13-18, Vice Chair through 11-12-18	4
Ricky Booth, Chair through 11-12-18	5

The team leader was Jamie L. Wilson, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at [tedwaller@aud.state.fl.us](mailto:tedwaller@aud.state.fl.us) or by telephone at (850)412-2887.

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# OSCEOLA COUNTY DISTRICT SCHOOL BOARD

## SUMMARY

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This operational audit of the Osceola County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2017-070. Our operational audit disclosed the following:

**Finding 1:** District distributions of discretionary millage to District charter schools were \$404,944 less than that required by State law.

**Finding 2:** The District did not verify the eligibility of charter school teachers who received Florida Best and Brightest Teacher Scholarship awards. Additionally, the District awarded \$13,636 to prekindergarten instructors who did not meet the statutory definition of a classroom teacher and, therefore, were ineligible for the awards.

**Finding 3:** As of January 2020, the Board did not employ an internal auditor, contrary to the statutory requirement for school districts receiving annual Federal, State, and local funds in excess of \$500 million.

**Finding 4:** District controls continue to need strengthening to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

**Finding 5:** Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

## BACKGROUND

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The Osceola County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Osceola County. The governing body of the District is the Osceola County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2018-19 fiscal year, the District operated 55 elementary, middle, high, and specialized schools; sponsored 24 charter schools; and reported 67,632 unweighted full-time equivalent students.

## FINDINGS AND RECOMMENDATIONS

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### **Finding 1: Charter School Capital Outlay Funding**

State law<sup>1</sup> required school districts to distribute to eligible charter schools by February 1st each year a portion from the discretionary millage revenue authorized in State law.<sup>2</sup> State law also required the Florida Department of Education (FDOE) to calculate the eligible charter school funding allocations and reduce the allocation by the school district's annual debt service obligation that was to be paid with

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<sup>1</sup> Section 1013.62, Florida Statutes (2017).

<sup>2</sup> Section 1011.71(2), Florida Statutes.

discretionary millage resources as of March 1, 2017. According to our discussions with FDOE staff, school districts are not required to deduct anticipated Federal interest rate subsidies from the annual debt service obligation amount reported but are required to adjust payments to charter schools when the subsidies are received. To assist in determining charter school funding calculations, the FDOE issued guidance<sup>3</sup> to school districts requesting that school districts report the debt service amount to the FDOE by November 17, 2017.

In November 2017, the District reported to the FDOE the District's discretionary millage debt service obligation of \$19,293,689 as of March 1, 2017. Based on the reported information, the FDOE instructed the District to distribute, and the District distributed, \$624,570 from the District's discretionary millage revenue to the District's eligible charter schools for the 2017-18 fiscal year. However, according to District records, the District did not adjust the payments to the charter schools considering the actual Federal interest subsidy of \$1,093,460 received in October 2017 or an estimate<sup>4</sup> of the April 2018 subsidy, which amounted to \$1,096,983. Using the \$17,103,246 discretionary millage annual debt service obligation (net of Federal interest rate subsidies totaling \$2,190,443), the District should have distributed \$1,029,514 to the charter schools. Accordingly, for the 2017-18 fiscal year, the District distributed \$404,944 less than that required by State law.

In response to our inquiries, District personnel indicated that they were unaware that the payments to the charter schools should have been adjusted for the Federal interest rate subsidies. Without effective procedures to ensure that funding allocations to charter schools are recalculated when Federal interest rate subsidies are received, the District may not properly distribute the statutorily required amount to eligible charter schools.

**Recommendation: The District should enhance procedures to ensure that, when Federal interest rate subsidies are received by the District, additional funding allocations are distributed to eligible charter schools. In addition, the District should consult with the FDOE regarding the appropriate disposition of the \$404,944 under-distributed amount.**

**Follow-Up to Management's Response**

*In their response, management indicates that they disagree that procedures need to be enhanced as the District complied with all guidance received from the FDOE. Notwithstanding this response, District procedures did not provide for the recalculation of the funding allocation when the District received Federal subsidies and, therefore, the District did not distribute the additional \$404,944 owed to the charter schools.*

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<sup>3</sup> Technical Assistance Note No. 2017-04, *Local Capital Improvement Revenue for Eligible Charter Schools*.

<sup>4</sup> District records evidenced that the District should have anticipated receipt of Federal interest rate subsidies totaling \$1,174,500 in April 2018, which is slightly higher than the subsidies totaling \$1,096,983 received in April 2018.

## **Finding 2: Florida Best and Brightest Teacher Scholarship Program**

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program<sup>5</sup> to reward classroom teachers<sup>6</sup> who achieved high academic standards during their own education. District personnel are responsible for determining teacher eligibility for the scholarships and annually submitting the number of eligible teachers to the FDOE. The FDOE then disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in State law.

According to District personnel, charter schools were required to submit to the District the number of charter school teachers determined to be eligible for the scholarships. However, the District had not established procedures to verify that scholarships are only awarded to eligible charter school classroom teachers. District personnel indicated that they relied on charter school personnel to determine the eligibility of the charter school teachers.

During the 2018-19 fiscal year, the District awarded scholarships totaling \$3,049,249 to 2,881 District teachers and scholarships totaling \$315,000 to 332 charter school teachers. To determine whether the teachers met the eligibility requirements for the scholarships, we requested for examination District records supporting the eligibility of 30 scholarship recipients (26 District teachers and 4 charter school teachers) who were awarded a total of \$30,988. District records were provided to support the awards to the District teachers and, subsequent to our request, the District obtained from the charter schools records that confirmed the eligibility of the charter school teachers. However, our procedures do not substitute for District responsibility to establish appropriate controls over the eligibility determinations for charter school scholarship recipients.

Our examination of District records<sup>7</sup> also disclosed that 18 District scholarship recipients awarded scholarships totaling \$11,862 and 2 charter school scholarship recipients awarded scholarships totaling \$1,774 were prekindergarten instructors who did not meet the statutory definition of a classroom teacher. In response to our inquiry, District personnel stated that the prekindergarten instructors were certified exceptional student education (ESE) teachers who met the definition of a classroom teacher. Notwithstanding this response, prekindergarten students include children who are not yet ready for kindergarten and the scholarship is limited to classroom teachers, which State law defines as K-12 personnel. In addition, the term “Prekindergarten Instructor” is defined separately in State law.<sup>8</sup> Absent effective procedures to verify the eligibility of all scholarship recipients, including charter school recipients, and to appropriately limit scholarships to eligible individuals, there is an increased risk that scholarships may be awarded to ineligible recipients.

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<sup>5</sup> Section 1012.731, Florida Statutes (2018). Chapter 2019-23, Laws of Florida, renamed the Program the Florida Best and Brightest Teacher Program and substantially revised the award process effective July 1, 2019. During the 2020 Legislative Session, legislation was passed (HB 641) to repeal the Program.

<sup>6</sup> Section 1012.01(2), Florida Statutes, defines classroom teachers K-12 staff members assigned the professional activity of instructing students in courses in classroom situations, including basic instruction, exceptional student education, career education, and adult education, including substitute teachers.

<sup>7</sup> District records included a comprehensive list of all prekindergarten instructors for District and charter schools.

<sup>8</sup> Section 1002.51(6), Florida Statutes, defines prekindergarten instructors to include teachers who provide instruction to students in a prekindergarten program.

**Recommendation:** The District should establish procedures to verify and ensure that scholarships are awarded only to eligible recipients. In addition, the District should take appropriate actions to remedy the ineligible awards totaling \$13,636.

**Follow-Up to Management’s Response**

Management indicated in the written response that “charter schools are responsible for submitting the staff who they deem eligible for Best and Brightest. We do not have access to their evaluation data so they make the determination and submit their eligible staff.” However, the District was responsible for reporting to the FDOE only those teachers, including charter school teachers, who were eligible for scholarship awards.

**Finding 3: Internal Audit Function**

Effective July 1, 2019, State law<sup>9</sup> requires school districts receiving annual Federal, State, and local funds in excess of \$500 million to employ an internal auditor. The internal auditor must perform ongoing financial verification of the financial records of the school district, a comprehensive risk assessment of all areas of the school system every 5 years, and other audits and reviews as the Board directs. Employment of an internal auditor authorizes the Board to direct what and how internal audit services will be done.

The District annually receives Federal, State, and local funds in excess of \$500 million. However, rather than employ an internal auditor, the District contracted with a certified public accounting (CPA) firm to provide internal audit services. District personnel indicated that the decision to contract with the CPA firm in June 2019 rather than employ an internal auditor was based on a legislative staff analysis,<sup>10</sup> which listed various school districts that had outsourced the internal audit function.

Additionally, District personnel presented the Board a summary of the benefits for outsourcing these services, noting that a CPA firm could provide an extensive knowledge base, perform a variety of operational audits, could be used on an as-needed basis, and would save employee benefits costs. Notwithstanding, it is not apparent that the Board complied with State law by contracting for internal audit services rather than employing an internal auditor with specific work requirements directed by the Board.

**Recommendation:** We recommend that the District consult with the FDOE to determine whether the Board is authorized to outsource the statutorily required internal audit services and take appropriate action based on such consultation.

**Finding 4: Adult General Education Classes**

State law<sup>11</sup> defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. The District received State funding for adult general education, and General Appropriations Act<sup>12</sup> proviso requires each school district to report enrollment for

<sup>9</sup> Section 1001.42(12)(l), Florida Statutes.

<sup>10</sup> February 2, 2018, Staff Analysis for Bill No. CS/HB 1279.

<sup>11</sup> Section 1004.02(3), Florida Statutes.

<sup>12</sup> Chapter 2018-9, Laws of Florida, Specific Appropriation 123.

adult general education programs in accordance with FDOE instructional hours reporting procedures.<sup>13</sup> State Board of Education (SBE) rules<sup>14</sup> require the District to collect and maintain enrollment and attendance information on students based on minimum enrollment requirements for funding and mandatory withdrawal procedures for students for non-attendance. A minimum enrollment threshold of 12 hours of attendance for each program must be met before a student can be counted for funding purposes.

FDOE procedures provide that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. For students withdrawn from classes due to non-attendance, instructional contact hours are reported up to and including the last date of attendance.

The District reported 153,741 instructional contact hours provided to 2,444 students enrolled in 35 courses for the Summer 2018 and Fall 2018 Semesters. As part of our audit, we examined District records for 1,136 hours reported for 30 students enrolled in 12 adult general education courses. We found instructional contact hours were under reported a total of 295 hours (ranging from 3 to 39 hours) for 24 students. In response to our inquiry, District personnel indicated that the errors occurred because District personnel had not been properly trained to interpret the reporting rules and did not always calculate instructional contact hours through the student's withdrawal date or end-of-class date, whichever was sooner.

Since adult general education funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. Similar findings were noted in our report Nos. 2017-070 and 2014-071.

**Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. Such controls should include appropriate training for employees who report instructional contact hours. Additionally, the District should determine to what extent adult general education hours were misreported for the Summer 2018 and Fall 2018 Semesters and contact the FDOE for proper resolution.**

#### **Finding 5: Information Technology User Access Privileges**

The Legislature has recognized in State law<sup>15</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status. Effective controls restrict employees from accessing information unnecessary for their assigned duties and provide for documented, periodic evaluations of information technology (IT) access privileges to help prevent employees from accessing sensitive personal information of students inconsistent with their duties.

<sup>13</sup> FDOE's Technical Assistance Paper: Adult General Education Instructional Hours Reporting Procedures, Dated August 2017.

<sup>14</sup> SBE Rule 6A-10.0381(5), Florida Administrative Code.

<sup>15</sup> Section 119.071(5)(a), Florida Statutes.



Pursuant to State law,<sup>16</sup> the District identified each student using a Florida education identification number obtained from the FDOE. Student SSNs are maintained within the District student information system (SIS) to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure. Student SSNs are also maintained so the District can provide student transcripts to colleges, universities, and potential employers based on student-authorized requests.

According to the District Student Records Handbook, certain District personnel are granted access to student records. The District personnel include, for example, the Superintendent, deputy and assistant superintendents, principals, assistant principals, deans, and guidance counselors. Principals and department managers complete a security authorization form to request records access for applicable employees; however, the form does not document the reasons access is needed or the necessity for continuous or temporary access.

As of November 2019, the District SIS contained the sensitive personal information for 29,034 current District students and 984 District employees had continuous IT user access privileges to this information. According to District personnel, the District SIS differentiates access between current and former student information and limits access to former student information based on the employee's assigned duties. As part of our procedures, we requested for examination District records supporting the continuous access privileges granted to 30 selected employees.<sup>17</sup> However, District records were not provided to demonstrate that any of the 30 employees needed continuous access to sensitive personal information of students.

In response to our inquiries, District personnel indicated that the District security administrator evaluates all access requests for appropriateness; however, as of January 2020, District records did not demonstrate the evaluations, and procedures had not been established to document the approval process for granting access to student records. District personnel also indicated that the District SIS had the ability to mask sensitive personal information of students, although that feature had not been activated. The existence of access privileges without a demonstrated need increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information may be used to commit a fraud against current or former students.

**Recommendation: To ensure that access to sensitive personal information of students is properly safeguarded, the District should:**

- **Revise the security authorization form to identify the reasons the access is needed and to specify the necessity for continuous or temporary access. Properly completed forms should demonstrate that access is granted only to those whose job duties require such access and, if an individual only requires occasional access to the information, the privileges should be granted only for the time needed.**
- **Document periodic evaluations of IT user access privileges to determine whether such privileges are necessary and ensure the timely removal of any inappropriate or unnecessary access privileges detected.**

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<sup>16</sup> Section 1008.386, Florida Statutes.

<sup>17</sup> The 30 employees included, for example principals, assistant principals, test coordinators, guidance counselors, medical staff, and IT personnel.



- Document consideration of the SIS security features that mask sensitive personal information of students and activate the features, as necessary, to prevent unnecessary access to that information.

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

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The District had taken corrective actions for applicable findings included in our report No. 2017-070, except that Finding 4 was also noted in our report No. 2017-070 as Finding 4 and in our report No. 2014-071 as Finding No. 14.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from April 2019 to January 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2017-070.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

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

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

In conducting our audit, we:

- Reviewed District information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security systems development and maintenance.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
  - Examined records supporting the 22 roles with profiles that allowed update access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of access privileges granted for 23 employees.
  - Examined the 17 roles with panels that allowed update access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for 49 employees.
  - Examined the network administrator system group that allows access to network resources and the ability to assign user profiles authority, resulting in the review of the appropriateness of administrator access privileges granted to five categories of critical system panels for the network.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.

- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers (SSNs). Specifically, from the 984 District employees with continuous IT user access privileges to this information, we requested for examination District records supporting the privileges of 30 selected employees to evaluate the appropriateness and necessity of the privileges based on the employees' assigned job responsibilities.
- Examined supporting documentation to determine whether the District had provided individuals with a written statement as to the purpose of collecting their SSNs, as required by Section 119.071(5)(a), Florida Statutes.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2018, to determine whether the total was less than 3 percent of the Fund's revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to evaluate the District's ability to make future debt service payments.
- From the population of expenditures and transfers totaling \$82.2 million during the period July 2018 through March 2019 from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$17.3 million to determine District compliance with the restrictions imposed on the use of these resources, including the restrictions in Section 1011.71(2)(e), Florida Statutes.
- Examined supporting documentation for workforce education program funds totaling \$4.6 million for the period July 2018 through March 2019 to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 179 industry certifications eligible for the 2018-19 fiscal year performance funding, examined 30 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 153,741 contact hours for 2,444 adult general education instructional students during the audit period, examined District records supporting 1,136 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with State Board of Education Rule 6A-10.0381, Florida Administrative Code.
- Evaluated District controls over child care fee collections.
- Examined the District Web site to determine whether the 2018-19 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records supporting the two payments totaling \$113,934 (amount received by the District from the Osceola Board of County Commissioners and earmarked for scholarships) made during the audit period by the District to its direct-support organization to determine the legal authority for such transactions.
- Evaluated the severance pay provision in the Superintendent's contract to determine whether the provision complied with Section 215.425(4), Florida Statutes.
- From the population of 4,114 instructional personnel and school administrators during the audit period, examined documentation for 40 selected employees to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4. and 5., Florida Statutes.
- Examined District records for the audit period for 30 employees and 26 contractor workers selected from the population of 8,876 employees and 146 contractor workers during the audit

period to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.

- Examined Board policies and District procedures for volunteers for the audit period to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the Florida Best and Brightest Teacher Scholarship Program eligibility of:
  - 26 selected District recipients of scholarship awards from the population of 2,881 District teachers who received awards totaling \$3,049,249 during the audit period.
  - 4 selected charter school recipients of the scholarship awards from the population of 332 charter school teachers who received awards totaling \$315,000 during the audit period.
- Evaluated District procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. We also examined District records to determine whether the District submitted to the FDOE accurate information about the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes, and whether the District timely awarded the correct amount to the one eligible principal.
- Evaluated Board policies and District procedures for monitoring the ethical conduct of instructional personnel and school administrators, including responsibilities for reporting employee misconduct that affects the health, safety, or welfare of a student, to determine compliance with Section 1001.42(6), Florida Statutes.
- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate based on the Board policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board approved contributions.
- From the population of six significant construction projects with expenditures totaling \$55.5 million and in progress during the audit period, examined documentation for two selected projects with expenditures of \$32.2 million to determine compliance with Board policies and District procedures and provisions of State laws and rules. Also, for the two construction management contracts with guaranteed maximum prices totaling \$58.5 million, we:
  - Examined District records to determine whether the construction manager was properly selected.
  - Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the District's procedures ensured subcontractors were properly selected and licensed.
  - Examined District records to determine whether architects were properly selected and adequately insured.
- Determined whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs. Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained from the FDOE the May 2019 reports of District student station costs and examined District records for the project completed during the period January 2018 through December 2018 to determine whether the report accurately reported student station costs and complied with the student station cost limits established by Section 1013.64(6)(b)1., Florida Statutes.
- Examined District records, including the annual comprehensive health and safety inspection report for the 2017-18 fiscal year, to determine whether the Board had adopted appropriate school

safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07, 1006.12, 1006.13, 1011.62(15) and (16), and 1012.584, Florida Statutes.

- Determined whether the District timely canceled credit cards for the 14 cardholders who separated from District employment during the audit period.
- Evaluated District procedures for charter school terminations to determine whether the procedures were sufficient for monitoring charter school closures and ensuring that District records documented that school funds and property reverted to the District.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the 2 schools subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We also examined District records to determine whether the District identified eligible schools, including charter schools; limited Title I allocations to eligible schools based on the threshold established by the District for the 2017-18 school year or the Statewide percentage of economically disadvantaged student; and distributed all remaining funds to all eligible schools in accordance with Federal law and regulations.
- Evaluated District procedures and examined District records to determine whether the procedures were effective for distributing the correct amount of local capital improvement funds to eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes (2017).
- Examined District records and evaluated construction planning processes for the audit period to determine whether the processes were comprehensive and included documented consideration of restricted resources and other alternatives to ensure the most economical and effective approach and whether the processes met District short-term and long-term construction needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs. We also compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements, and examined the work order system for appropriate tracking of maintenance jobs.
- Evaluated District procedures for determining maintenance department staffing needs. We also determined whether such procedures included consideration of performance measures and other factors supported by factual information.
- From the population of contractual services payments totaling \$11 million to 157 contractual services providers during the period from July 2018 through March 2019, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$2.6 million to determine whether:
  - The District complied with competitive selection requirements.
  - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
  - District records documented satisfactory receipt of deliverables before payments were made.
  - The payments complied with contract provisions.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial "S".

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

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### SCHOOL BOARD MEMBERS

District 1 – Teresa “Terry” Castillo  
407-577-5022  
District 2 – Kelvin Soto – Chair  
407-870-4009  
District 3 – Tim Weisheyer – Vice-Chair  
407-361-0235  
District 4 – Clarence Thacker  
407-870-4009  
District 5 – Ricky Booth  
407-870-4009



Superintendent of Schools  
Dr. Debra P. Pace

April 14, 2020

Sherrill F. Norman, CPA  
Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Ms. Norman:

We appreciate the thorough review of the District's operations performed by the Auditor General's staff and the guidance they provided to us throughout the audit process. Following are management's responses to the findings and recommendations relative to our operational audit for the fiscal year ended June 30, 2019.

### **Finding No. 1: Charter School Capital Outlay Funding**

District distributions of discretionary millage to District charter schools were \$404,944 less than required by State law.

**Recommendation:** The District should enhance procedures to ensure that, when Federal interest rate subsidies are received by the District, additional funding allocations are distributed to eligible charter schools. In addition, the District should consult with the FDOE regarding the appropriate disposition of the \$404,944 under-distributed amount.

**Response:** The district followed FDOE issued guidance and submitted the required debt service amounts. FDOE provided the calculation of how much was required to be paid out to each charter school. The district disbursed funds to the charter schools accordingly. At no time was direction ever received from FDOE to subsequently reduce the amount of these payments by federal interest rate subsidies received. We disagree with the recommendation that procedures need to be enhanced in this area, as the district complied with all guidance received from FDOE.

The district agrees to consult with the FDOE regarding the appropriate disposition of the under-distributed amount identified per this audit.



**Finding No. 2: Florida Best and Brightest Teacher Scholarship Program**

The District did not verify the eligibility of charter school teachers who received Florida Best and Brightest Teacher Scholarship awards. Additionally, the District awarded \$13,636 to prekindergarten instructors who did not meet the statutory definition of a classroom teacher and, therefore, were ineligible for the awards.

Recommendation: The District should establish procedures to verify and ensure that scholarships are awarded only to eligible recipients. In addition, the District should take appropriate actions to remedy the ineligible awards totaling \$13,636.

Response: The prekindergarten ESE teachers who received Best and Brightest bonuses were fully-certified full-time instructional staff members, serving 3 and 4 year olds with special needs and individual education plans. We considered them differently from our regular voluntary prekindergarten staff members, who were clearly ineligible for the bonuses.

However, the district no longer considers prekindergarten ESE teachers as eligible for Best and Brightest. No prekindergarten teacher received the award for the 2019-20 school year (based on 2018-19 evaluation data) and the Best and Brightest program was not funded again by the state legislature so future years should not be an issue.

Charter schools are responsible for submitting the staff who they deem eligible for Best and Brightest. We do not have access to their evaluation data so they make the determination and submit their eligible staff. For the \$6000 award, the employee must submit an application and their evaluation.

The District will consult with FDOE to take action to remedy the ineligible award totaling \$13,636 as identified.

**Finding No. 3: Internal Audit Function**

As of January 2020, the Board did not employ an internal auditor, contrary to the statutory requirement for school districts receiving annual Federal, State, and local funds in excess of \$500 million.

Recommendation: We recommend that the District consult with the FDOE to determine whether the Board is authorized to outsource the statutorily required internal audit services and take appropriate action based on such consultation.

Response: The district will consult with FDOE to determine whether the Board is authorized to outsource the statutorily required internal audit services and take appropriate action based on such consultation.

**Finding No. 4: Adult General Education Classes**

District controls continue to need strengthening to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. Such controls should include appropriate training for employees who report instructional contact hours. Additionally, the District should determine to what extent adult general education hours were misreported for the summer 2018 and Fall 2018 Semesters and contact the FDOE for proper resolution.

Response: The district strengthened controls to accurately report instructional contact hours for adult general education classes. These controls include providing professional development for those employees responsible for postsecondary data reporting. It is not practical to determine the extent to which hours were misreported; however, we have contacted FDOE for resolution.

**Finding No. 5: Information Technology User Access Privileges**

Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

Recommendation: To ensure that access to sensitive personal information of students is properly safeguarded, the District should:

- Revise the security authorization form to identify the reasons the access is needed and to specify the necessity for continuous or temporary access. Properly completed forms should demonstrate that access is granted only to those whose job duties require such access and, if an individual only requires occasional access to the information, the privileges should be granted only for the time needed.
- Document periodic evaluations of IT user access privileges to determine whether such privileges are necessary and ensure the timely removal of any inappropriate or unnecessary access privileges detected.
- Document consideration of the SIS security features that mask sensitive personal information of students and activate the features, as necessary, to prevent unnecessary access to that information.

Response: The district acknowledges the audit findings and is in the process of taking the steps outlined below to implement the recommendations:

- The security authorization form will be revised to indicate the reasons for access, and if that access is permanent or temporary. Currently, a Service Desk ticket is initiated to document the access request and the time period required.
- The current quarterly review of IT user access privileges will now occur on a monthly basis, in conjunction with outstanding Service Desk tickets related to SIS access.
- The masking of the Social Security Number will be implemented within the Focus SIS based on access privileges. In addition, the district SIS team will work with the SIS vendor to ensure the masking of additional fields, such as the Student ID Alias, which currently is non-maskable.

We would like to thank your audit staff for their assistance and technical advice during the audit and for bringing to light areas upon which the District can improve.

Sincerely,



Dr. Debra P. Pace  
Superintendent