

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-034
October 2020

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, Ken Kenworthy served as Superintendent of the Okeechobee County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Joe Arnold	1
Malissa Morgan	2
Melisa Jahner, Vice Chair from 11-12-19	3
Amanda Riedel, Vice Chair through 11-11-19, Chair from 11-12-19	4
Jill Holcomb, Chair through 11-11-19	5

The team leader was Daria L. Ermakova, CPA, and the audit was supervised by Tim L. Tucker, CPA.

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

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OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Okeechobee County School District (District) focused on selected District processes and administrative activities and included a follow-up on the finding noted in our report No. 2018-079. Our operational audit disclosed the following:

Finding 1: As of April 2020, the District had not complied with State law by posting on its Web site all required graphical representations of summary financial efficiency data and fiscal trend information.

BACKGROUND

The Okeechobee 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 Okeechobee County. The governing body of the District is the Okeechobee 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 2019-20 fiscal year, the District operated ten elementary, middle, high, and specialized schools; and reported 6,580 unweighted full-time equivalent students.

FINDING AND RECOMMENDATION

Finding 1: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,¹ the District must post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public.

In addition, effective July 1, 2019, the information posted on the District Web site must include graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years. Specifically, the District Web site must show the:

- Ratio of full-time equivalent (FTE) students to FTE instructional personnel.
- Ratio of FTE students to FTE administrative personnel.
- Total operating expenditures per FTE student.
- Total instructional expenditures per FTE student.
- General administrative expenditures as a percentage of total budget.
- Rate of change in the General Fund's ending fund balance not classified as restricted.

¹ Section 1011.035(2), Florida Statutes.

The District Web site must also include a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE) pursuant to State law² to enable taxpayers to evaluate the financial efficiency of the school district and compare the financial efficiency of the school district with other similarly situated school districts. This information must be prominently posted on the District's Web site in a manner that is readily accessible.

At the time of our review in April 2020, the District had posted the proposed, tentative, and official budgets for the 2019-20 fiscal year on its Web site; however, the Web site lacked the graphical representations and a link to the Web-based fiscal transparency tool developed by the FDOE. In response to our inquiry, District personnel indicated that the graphical representations and link to the Web-based fiscal transparency tool had not been posted because the FDOE had not provided the school district with information and guidance about these new requirements. Although the FDOE had not provided school districts a link to the transparency tool, District records did not demonstrate any efforts to create or report the required summary financial efficiency data or fiscal trend information for the previous 3 years.

Subsequent to our inquiry, in June 2020 the FDOE provided the District with, and the District posted on the District Web site, the required graphical representations and link to the FDOE fiscal transparency tool. Providing the required transparency information in a timely manner enhances citizen involvement and the ability to analyze, monitor, and evaluate District budget outcomes.

Recommendation: The District should continue efforts to comply with statutory transparency requirements by timely posting all required information on the District Web site.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for the finding included in our report No. 2018-079.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2020 to August 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.

This operational audit focused on information technology resources and related controls; nonpublic records protection; fiscal transparency; school safety; compensation, and other expenses; and other processes and administrative activities. For those areas, our audit objectives were to:

² Section 1010.20, Florida Statutes.

- 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 the finding included in our report No. 2018-079.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)³ and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management’s process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

³ The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

We determined that all internal control components were significant to our audit objectives. The associated underlying principles significant to our objectives included:

- Board and management commitment to integrity and ethical values.
- Board exercise of oversight responsibility.
- Management establishment of an organizational structure, assignment of responsibility, and delegation of authority to achieve the District's goals and objectives.
- Management establishment of clear objectives to enable the identification of risks and define risk tolerances.
- Management design of control activities to achieve the District's objectives and respond to risks.
- Management design of controls over information technology.
- Management establishment of policies and procedures to implement internal control activities.
- Management use of relevant and quality information to achieve the District's objectives.
- Management communication of information internally necessary to achieve the District's objectives.
- Management communication of information externally necessary to achieve the District's objectives.
- Management activities to monitor the District's internal control system and evaluate the results.
- Management remediation of identified internal control deficiencies on a timely basis.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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; identifying and evaluating internal controls significant to our audit objectives; 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 2019-20 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 applicable laws, rules, District policies and procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities.
- 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, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District's enterprise resource planning (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:
 - Tested the 17 roles 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 19 accounts.
 - Tested the 18 roles 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 9 accounts.
 - Tested the 4 default network administrator system groups that allow complete access to network resources resulting in the review of the appropriateness of administrator access privileges granted to 2 accounts for the network.
- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed selected access user privileges for 27 of the 75 employees who separated from District employment during the period July 2019 through April 2020 to determine whether the access privileges had been timely deactivated.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's business system.

- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the 20 employees who had access to sensitive personal student information to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2020, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes.
- Examined the District Web site to determine whether the 2019-20 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the Web site contained the required graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE).
- From the population of expenditures totaling \$2.5 million and transfers totaling \$574,470 for the period July 2019 through April 2020 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 \$1.4 million and \$574,470, respectively, to determine District compliance with the restrictions imposed on the use of these resources, such as District compliance with Section 1011.71(2), Florida Statutes.
- Examined District records 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.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports for 12 District facilities and compared with previous years' inspection reports to determine whether deficiencies were timely corrected and inspection reports were presented to the Board as required.
- Evaluated Board policies and District procedures for student mental health education to determine compliance with State Board of Education Rule 6A-1.094121, Florida Administrative Code.
- From the population of extended day collections totaling \$157,020, food service collections totaling \$102,003, and voluntary prekindergarten collections totaling \$77,003 during the period July 2019 through April 2020, examined District records supporting 30 transactions totaling \$59,734 to determine whether the District had established effective controls over the collections.
- Examined District records for the period July 2019 through April 2020 for 30 employees and 30 contractor workers selected from the population of 979 employees and 370 contractor workers to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined District records supporting the eligibility of 30 selected District recipients of the Florida Best and Brightest Teacher Program awards from the population of 427 District teachers who received scholarships awards totaling \$668,182 during the audit period.
- Evaluated District procedures to implement the Florida Best and Brightest Principal Program pursuant to Section 1012.732, Florida Statutes. We also examined District records to determine whether the District timely awarded the correct amount to each eligible principal.

- 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.
- Evaluated Board policies and District procedures for ethical conduct for instructional personnel and school administrators, including reporting responsibilities of employee misconduct which affects the health, safety, or welfare of a student, to determine compliance with Section 1001.42(6), 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, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged students, and distributed all remaining funds to all eligible schools in accordance with Federal law and regulations.
- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, included consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs.
- Evaluated District procedures for determining maintenance department staffing needs. We also determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.
- Evaluated District procedures to ensure that only qualified individuals perform maintenance-related projects.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

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

Superintendent
Ken Kenworthy



Okeechobee County School Board

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Chairperson
Amanda Riedel
Vice Chairperson
Melisa Jahner
Members
Joe Arnold
Jill Holcomb
Malissa Morgan

October 2, 2020

Sherrill F. Norman, CPA
Auditor General – State of Florida
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111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mrs. Norman:

We are writing this letter in response to your preliminary and tentative audit finding report, Finding 1: Fiscal Transparency.

As you mentioned in the finding, the District had not posted the graphical representations and link to the web based fiscal transparency tool in April, 2020 because the data needed for those graphical representations and the link to the web based fiscal transparency tool had not been provided to the District by the Florida Department of Education.

The Florida Department of Education issued a memorandum on May 7, 2020 with the fiscal data elements needed to prepare the graphical representations. It is the District's understanding that the delay in providing this data was the result of them hiring a consultant to compile the data due to its complexities. The District downloaded the data and prepared the graphs, and they were posted to the District's website on June 1, 2020.

The Florida Department of Education issued a memorandum on June 10, 2020 with the link to the web based fiscal transparency tool. This link was posted to the District website on June 11, 2020.

The finding states that the District did not demonstrate any efforts to create or report the required summary financial efficiency data or fiscal trend information for the previous three years. There are several reasons for this. First, the Florida Department of Education had advised the District that it would be providing the data, and there was nothing the District needed to do. Second, the District was aware that the calculations were so complex that the Florida Department of Education needed to hire a consultant to complete them. Lastly, and most importantly, the purpose of the fiscal transparency statute is to enhance citizen involvement and the ability to analyze, monitor, and evaluate District budget outcomes. The District maintains that "estimating" the financial data and later changing that information with new data once it is received from FDOE is not very transparent.

As soon as the District was made aware of this finding, staff reached out to FDOE to ensure that the necessary data would be provided more timely in future years. FDOE assured the District that it would. With that, it is expected that the district will be able to post accurate information in the future to meet the statutory deadline.

Sincerely,

Ken Kenworthy
Superintendent of Schools



Achieving Excellence: Putting Students First!



