STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2016-077
January 2016

INDIAN RIVER COUNTY DISTRICT SCHOOL BOARD

Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2014-15 fiscal year, Frances J. Adams, Ed. D., served as Superintendent and the following individuals served as Board members:

	District No.
Karen Disney-Brombach to 11-17-14	1
Shawn Frost from 11-18-14	1
Dale Simchick	2
Matthew McCain, Vice Chair to 11-17-14, Chair from 11-18-14	3
Carol Johnson to 11-17-14, Chair	4
Charles Searcy, Vice Chair from 11-18-14	4
Claudia Jimenez	5

The team leader was Bevohn T. Dougall, CPA, and the audit was supervised by Tim L. Tucker, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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INDIAN RIVER COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Indian River County District School Board (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-076. Our audit disclosed the following:

Finding 1: The Board had not adopted a plan for the use of unspent workforce education funds accumulated over several years. A similar finding was noted in our report No. 2015-076.

Finding 2: The District needs to continue to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education (FDOE).

Finding 3: As similarly noted in our report No. 2015-076, controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures. Such procedures could ensure that the District offers all students the opportunity to participate in part-time virtual instruction and the required background screenings are performed for all FDOE-approved VIP provider employees.

BACKGROUND

The Indian River 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 Indian River County. The governing body of the District is the Indian River 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 2014-15 fiscal year, the District operated 25 elementary, middle, high, and specialized schools; sponsored 5 charter schools; and reported 17,677 unweighted full-time equivalent students.

This operational audit focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2015-076. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2015, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Workforce Education Program

Pursuant to State law,[1] the District receives funding for workforce education programs and is required to use the money to benefit those programs. During the 2014-15 fiscal year, the District's workforce

[1] Section 1011.80, Florida Statutes.

education program revenues totaled $1,354,973. These revenues, when combined with $1,976,468 of unspent workforce education revenues from prior fiscal years, made $3,331,441 available for workforce education program expenditures during the 2014-15 fiscal year.

District workforce education program expenditures totaled $1,626,793 for the 2014-15 fiscal year, which was 49 percent of the amount available to be expended, resulting in an unencumbered balance carry forward of $1,704,648 into the 2015-16 fiscal year. Although the workforce education program funds are restricted for adult education purposes and not subject to reversion, carrying forward large balances of program funds into subsequent years does not appear to be consistent with the Legislature's annual funding of the program and related benefits to particular students. In response to our inquiry, District personnel indicated they are working to develop a workforce education program spending plan; however, as of December 2015, the plan was not finalized. A similar finding was noted in our report No. 2015-076.

Recommendation: The Board should adopt a spending plan for unspent workforce education program funds to serve as a guide to ensure that these funds benefit the students and program as intended by the Legislature.

Finding 2: Adult General Education Classes

State law[2] 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 Laws of Florida[3] proviso language requires each school district to report enrollment for adult general education programs in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.[4]

FDOE procedures stated 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. The procedures also required school districts to develop a procedure for withdrawing students for nonattendance and provided that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance. There was also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

For the 2014-15 fiscal year, the District reported 131,259 instructional contact hours for 24 adult general education classes provided to 463 students. As part of our audit, we reviewed District records for 2,942 hours reported for 30 students enrolled in 8 adult general education classes. We found instructional contact hours were over reported a total of 2,408 net hours, including 2,422 over-reported hours (ranging from 10 to 380 hours) for 28 students and 14 under-reported hours for 1 student. In response to our inquiry, District personnel indicated that the misreported hours occurred primarily due to programming errors related to student withdrawals and that, in one instance, class minutes were incorrectly reported as class hours. The full extent of the class hours misreported was not readily available.

[2] Section 1004.02(3), Florida Statutes.

[3] Chapter 2014-51, Laws of Florida, Specific Appropriation 122.

[4] FDOE Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

Since funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data. In addition, the over-reported instructional contact hours may have resulted in more funding than needed and contributed to the excess unspent workforce education funds discussed in Finding 1. A similar finding was noted in our report No. 2015-076.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2014-15 fiscal year and contact the FDOE for proper resolution.

Finding 3: Virtual Instruction Program Policies and Procedures

State law[5] provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law[6] establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled two full-time and no part-time VIP students. Board policy[7] identifies VIP options for students and includes information that discusses VIP student eligibility and open enrollment periods. In addition, the District has written procedures addressing student progression requirements, attendance, mandated testing, and other procedures related to the VIP. However, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations. In response to our inquiry, District personnel indicated that comprehensive, written procedures should be completed by the next school year.

The absence of comprehensive, written VIP policies and procedures may have contributed to the following instances of District noncompliance and control deficiencies:

- State law[8] requires the District to provide students the opportunity to participate in both part-time and full-time virtual instruction. District records evidenced that the District offered all students the opportunity to participate in full-time virtual instruction and students in grades 6 through 12 the opportunity to participate in part-time virtual instruction. However, contrary to State law,[9] the District did not offer students in kindergarten through grade 5 the opportunity to participate in part-time virtual instruction. In response to our inquiry, District personnel indicated that, while the

[5] Section 1001.41(3), Florida Statutes.

[6] Section 1002.45, Florida Statutes.

[7] Board Policy 2370.01, *Virtual Instruction*.

[8] Section 1002.45(1)(b), Florida Statutes.

[9] Ibid.

District contracted for part-time VIP services through an FDOE-approved provider, they were unaware that the part-time virtual instruction option was excluded from the contract. Without providing students in kindergarten through grade 5 the opportunity to participate in part-time virtual instruction, the District limited student access to this instruction.

- The District contracted with one FDOE-approved VIP provider for VIP services. State law[10] requires VIP providers to conduct background screenings for all employees as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees have obtained the required background screenings and the required assurances indicate that lists of the background-screened employees are to be provided to each applicable school district.

  In response to our inquiry, District personnel indicated that they requested the screening information from the FDOE-approved VIP provider; however, no list was provided. Absent effective controls to ensure that background screenings of VIP provider employees are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be interacting with students. In addition, individuals with unsuitable backgrounds may be granted access to confidential or sensitive District data and information technology resources.

Similar findings were noted in our report No. 2015-076.

Recommendation: To enhance the effectiveness of VIP operations and related activities, the District should develop and maintain comprehensive, written VIP policies and procedures. Such policies and procedures should ensure that the District offers all students the opportunity to participate in part-time virtual instruction and that evidence of the performance of required background screenings for all VIP provider employees is obtained.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2015-076 except as shown in the following table:

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2013-14 Fiscal Year Operational Audit Report No. 2015-076, Finding	2012-13 Fiscal Year Operational Audit Report No. 2014-067, Finding
1	3	Not Applicable
2	4	2
3	6, 8, and 9	Not Applicable

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.

[10] Section 1002.45(2)(a)3., Florida Statutes.

We conducted this operational audit from March 2015 to December 2015 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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 the safeguarding of assets.
- Determine whether management had taken corrective actions for findings included in our report No. 2015-076.
- 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 the selection and examination of records and transactions. 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 District 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 the District's written 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, and disaster recovery.
- Evaluated procedures to prohibit former employees' access to electronic data files. We selected and examined District records supporting the access privileges for 25 of 307 former employees who separated from District employment during the 2014-15 fiscal year to determine whether their access privileges had been timely deactivated.
- Evaluated the District's written policies, procedures, and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated the adequacy of written policies and procedures related to security incident response and reporting.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the data center.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the 2014-15 fiscal year and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. We also examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balance at June 30, 2015, to the fund's revenues was less than the 3 percent specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the reasonableness of, and the ability of the District to make, the District's future debt service payments.
- From the population of $13,817,000 total expenditures and $13,875,510 transfers made during the 2014-15 fiscal year from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, selected and examined documentation supporting 27 expenditures and 3 transfers totaling $2,826,525 and $4,785,739, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Analyzed Workforce Development Funds expenditures totaling $1,626,793 to determine whether the District used funds for authorized purposes (i.e., funds were not used to support K-12 programs or District K-12 administrative costs).
- From the population of 463 adult general education students reported for 131,259 contact hours, selected and examined District records related to 30 students with 2,942 reported contact hours to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.

- From the population of 87 students who received industry certifications for performance funding during the 2014-15 fiscal year, selected and examined certifications for 24 students to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined statements of financial interests for the District Superintendent, Board members, Chief Financial Officer, and certain purchasing agents to determine whether the statements of financial interests were appropriately filed pursuant to Section 112.3145, Florida Statutes.
- Examined the District Web site to determine whether it showed the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- Evaluated Board investment policies and procedures to determine whether the policies were in accordance with Section 218.415, Florida Statutes, and examined documentation supporting investments during the 2014-15 fiscal year to determine whether investments were in accordance with those policies and procedures.
- From the population of 2,479 employees compensated a total of $90,503,830, selected and examined District records for 30 employees compensated a total of $40,912 for selected pay periods to determine the accuracy of the rate of pay and whether supervisory personnel certified employee time worked and leave taken.
- Selected and examined District records for 93 employees from the population of 2,634 employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background checks.
- Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely canceled upon an employee's separation from District employment. From the population of 1,740 subscribers, we selected and examined records for 33 participants to determine if employees and dependents were eligible. From the population of 307 employees who separated employment from District employment during the 2014-15 fiscal year, we selected and examined records for 51 employees to determine whether the District timely canceled insurance coverage. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Evaluated District policies and procedures for identifying potential conflicts of interest. For District employees required to file statements of financial interest forms, we reviewed Department of State, Division of Corporation, records; statements of financial interest; and District records to identify any potential relationships that represent a conflict of interest with District vendors.
- From the population of 27 payments totaling $49,330 paid to employees during the 2014-15 fiscal year for other than travel reimbursements and payroll payments, selected and examined documentation supporting 10 payments totaling $38,237 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and not contrary to Section 112.313, Florida Statutes.
- Reviewed the audit reports for five District-sponsored charter schools to determine whether the required audit was performed. We also determined whether the audits of the charter schools were performed pursuant to Chapter 10.850, Rules of the Auditor General.
- Determined whether the District used supplemental academic instruction and research based reading instruction allocations to provide an additional hour of intensive reading instruction to students every day, for the applicable schools pursuant to Section 1011.62(9), Florida Statutes. Also, pursuant to Laws of Florida[11] proviso language, we determined whether the District

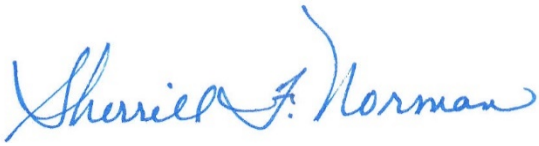
[11] Chapter 2014-51, Laws of Florida, Specific Appropriation 96.

appropriately reported the funding sources, expenditures, and student outcomes for each participating school by September 30, 2015.

- Determine whether the District had adequate policies and procedures regarding its Virtual Instruction Program (VIP).
- Reviewed District records to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Reviewed District accounting records to determine whether the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(e), Florida Statutes.
- Reviewed Districts records for the two VIP students to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study as required by Section 1002.45(3)(a) and (b), Florida Statutes.
- Reviewed District records for the two VIP students to determine whether District procedures ensured that the students were provided with all necessary instructional materials and, for these eligible students that did not already have such resources in their home, computing resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- Examined District records for the two VIP students to determine whether the students met statutory eligibility requirements provided by Section 1002.45(5), Florida Statutes.
- For the FDOE-approved VIP provider that contracted with the District, determined whether the District obtained a list of provider employees and contracted personnel and determined whether background screenings were completed in accordance with Section 1012.32, Florida Statutes.
- Examined District records for the two VIP students to determine whether the students met statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Section 1002.45(6)(a) and (b), Florida Statutes.
- Examined the contract documents for the FDOE-approved VIP provider that contracted with the District to determine whether the contract contained statutorily required provisions. Also, we:
    - Reviewed the contract documents to determine whether provisions were included to address compliance with contact terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
    - Reviewed contract fee provisions and inquired as to how fees were determined for services rendered.
    - Evaluated District-established controls to determine whether residual VIP funds were restricted and used for the District's local instructional improvement system or other technological tools, as required by law.
- 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.



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

School District of Indian River County

6500 57th Street • Vero Beach, Florida 32967 • Telephone: 772-564-3000 • Fax: 772-569-0424

Mark J. Rendell, Ed.D. - Superintendent

January 20, 2016

Sherrill F. Norman, CPA
Office of the Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Indian River County as a result of the audit for the fiscal year ended June 30, 2015. The following are the responses as submitted by the appropriate staff.

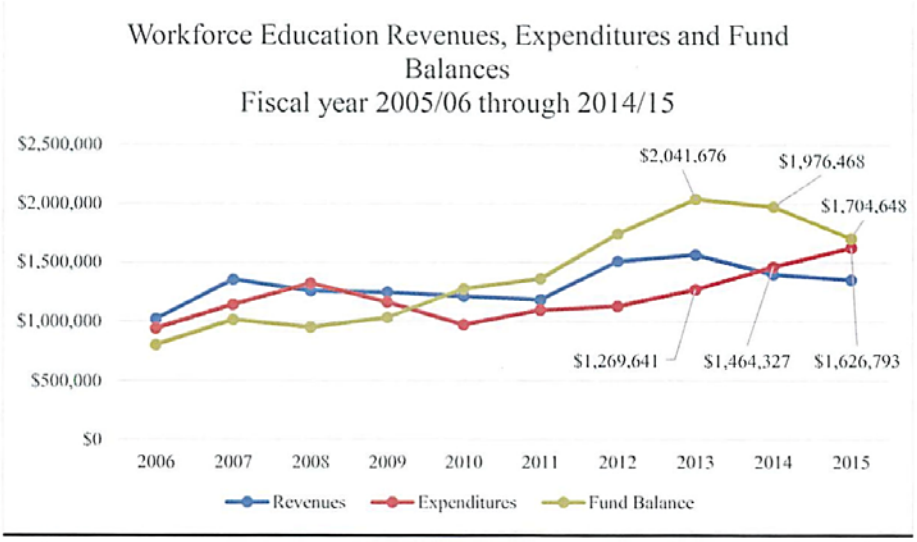
Finding No. 1- Workforce Education Program:

The District concurs with the auditor's finding that the Board should adopt a spending plan for unspent workforce education program funds to serve as a guide to ensure that these funds are spent. As noted in the Audit Report, this finding is a repeat of a similar finding in Report No. 2015-076. Since this matter was brought to our attention, the District has put in place measures to informally spend down the Workforce Education funds. As depicted in the graph below, the District has increased its expenditures from $1,269,641 in 2013 to $1,626,793, in 2015, an increase of $357,152 or 28% in three years. In addition, the restricted fund balances of the program have decreased from $2,041,676 in 2013 to $1,704,648 in 2015, a decrease of $337,028 or 16.5% in three years. As discussed by the auditor, the District is currently working on a formal spending plan to ensure that these funds are spent to the benefit of the students and program. Unfortunately discussions with various parties that play an integral role in the proposed spending plan were not finalized at the conclusion of the audit period. However, once discussions are concluded, we will bring forward the proposed spending plan for Board approval.

"Educate and inspire every student to be successful"

Shawn R. Frost District 1 • Dale Simchick District 2 • Matthew McCain District 3 • Charles G. Searcy District 4 • Claudia Jiménez District 5

"To serve all students with excellence"
Equal Opportunity Educator and Employer



Finding No. 2- Adult General Classes:

The District concurs with the auditor's finding and recommendation that the District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general classes to the Florida Department of Education (FLDOE). As pointed out by the auditor, the District responded that the reporting errors were caused by a programming error in the software used to report the instructional contact hours. We have since corrected these errors and thus do not anticipate a repeat of this finding.

In January of 2015 the District implemented a new Post-Secondary Student Information System in an effort to modernize and structure our reporting process. As the system was implemented in the middle of the year, data inaccuracies from the first semester, that were reported using the old system, were imported into the new system. The data validation features of the new system assisted staff in identifying these data anomalies and ensured that new data is being entered properly. Since the implementation of this new system, the District has put in place several new controls to ensure that the reporting of adult instructional hours are accurate. Post implementation of the new system data anomalies were corrected, processes were modified, and data reporting meetings are being held between Adult Education and Information Services prior to each Survey submission. Staff from both departments have attended trainings, FLDOE and Survey reporting workshops, and have implemented a corrective action plan approved by FLDOE. Based on these measures, the district is confident that the reporting of adult general education instructional hours are now being collected and reported accurately to the FLDOE.

The District is currently reviewing the attendance data in the old system to determine the extent to which the adult general education hours were misreported for the 2014-15 fiscal year and will contact the FLDOE for proper resolution.

Finding No. 3 - Virtual Instruction Program- Policies and Procedures

The District concurs with the auditor's finding and recommendation. The District is in the process of developing and maintaining a comprehensive, written Virtual Instruction Policies and Procedures Manual. We have been in contact with other school districts across the state that provide virtual instruction options with a view to adopting the best practices around processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office, if you have any questions concerning this matter.

Sincerely,

Mark J. Rendell, Ed.D.
Superintendent

Cc: School Board Members
Superintendent's Leadership Council