

**STATE OF FLORIDA
AUDITOR GENERAL**



COMPLIANCE SUPPLEMENT

DISTRICT SCHOOL BOARD AUDITS

For the Fiscal Year Ended June 30, 2009

JULY 2009

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BACKGROUND AND PURPOSE

Pursuant to Section 11.45(9), Florida Statutes,* the Auditor General, provides technical advice to the Florida Department of Education, in developing a compliance supplement for the financial audit of a district school board conducted by an independent certified public accountant. This document constitutes that technical advice for audits of the fiscal year ended June 30, 2009.

The purpose of the supplement is to assist the auditors in identifying the significant compliance issues that affect the operations of the school districts and the supplement is intended to serve as a resource to the auditors. The intent is to provide a more efficient and cost effective approach to performing the research of significant laws and rules that affects school district operations. It is not intended to supplant the judgment, or risk assessments, of the independent certified public accountant engaged to perform the audit.

The Federal Government establishes the requirements and publishes the guidance, including a compliance supplement, for the audit of Federal awards. Accordingly, the Auditor General does not publish compliance issues for the audits of Federal programs.

*** Note: All references to Florida Statutes are to Florida Statutes (2008).**

ABBREVIATIONS

The following abbreviations have been used in this Compliance Supplement:

AGO - Attorney General Opinion

CFR - Code of Federal Regulations

FAC - Florida Administrative Code

GASB - Governmental Accounting Standards Board

SBE RULE - State Board of Education Rules, Florida Administrative Code

USC - United States Code

Board - District School Board

BOARD ORGANIZATION AND MINUTES

Compliance Elements

The meetings of the board are required to be open and accessible to the public, and minutes are required to be kept. [Sections 1001.372(2), 1001.372(4), and 1001.42(1), Florida Statutes.] Note: There are a number of interpretations relating to public meetings and records that are incorporated in the *Florida Government-In-The-Sunshine Manual*, prepared by the Office of the Attorney General. These are too numerous to reproduce here but may need to be considered in reviewing compliance with official actions.

The general powers and duties of the board are included in Sections 1001.41, 1001.42, and 1001.43, Florida Statutes.

The general powers and duties of the superintendent of schools are included in Sections 1001.49 and 1001.51, Florida Statutes.

Suggested Audit Procedures

- Verify that board meetings were open and accessible to the public, and that minutes of the meetings, including any special and workshop meetings, were maintained as prescribed by law.

SCHOOL INTERNAL ACCOUNTS

Compliance Elements

The board is required to provide for annual audits of the school internal accounts. [SBE Rule 6A-1.087]

Suggested Audit Procedures

- Determine that the board has made provision for an annual audit of the school internal accounts.

DIRECT-SUPPORT ORGANIZATIONS

Compliance Elements

A school district direct-support organization is required to make provisions for an annual audit of its financial accounts. The audit is to be conducted by an independent certified public accountant in accordance with the Rules of the Auditor General. [Section 1001.453, Florida Statutes; SBE Rule 6A-1.0013]

Suggested Audit Procedures

- Verify that the required audit report(s) for the direct-support organizations have been timely completed and filed with the school district.

CHARTER SCHOOLS

Compliance Elements

Each charter school and charter technical center must provide for an annual financial audit by an independent certified public accountant. A school district, as sponsor of a charter school, must monitor the revenues and expenditures of the charter school and charter technical center. [Sections 218.39(1)(e) and (f), 1002.33(5)(b)1.b., and 1002.33(9)(g), Florida Statutes]

Charter schools shall provide for annual financial report and program cost report in the state-required formats for inclusion in the district reporting in compliance with Section 1011.60(1). [Section 1002.33(9)(h), Florida Statutes]

Suggested Audit Procedures

- Verify that the school district has determined that its charter schools and charter technical centers have made provision for the required audits and that the school district timely obtains copies for its review.
- Verify that the school district has determined that the charter schools and charter technical centers have provided annual financial report and program cost report information in the State-required format for inclusion in the school district's reporting in compliance with Section 1011.60(1), Florida Statutes. [Section 1002.33(9)(h), Florida Statutes]
- Determine whether the school district monitored its charter schools and charter technical centers for evidence of insurance required by the charter schools' and charter technical centers' contracts.

SCHOOL ADVISORY COUNCILS

Compliance Elements

Section 1001.452, Florida Statutes, requires the board to establish an advisory council for each school in the school district or a board may establish a district-wide advisory council if the District has less than 10,000 students and to develop procedures for the election and appointment of advisory council members. This section establishes requirements for the representative makeup of the school advisory council membership and for the election of school advisory council members. Chapter 2008-152 Specific Appropriation 7, Laws of Florida, requires the board to allocate by October 1, 2008, \$5 per unweighted FTE to be

used at the discretion of the school advisory councils. These moneys should be clearly earmarked for the school advisory councils' use and not subject to override by the principal or interim approvals by school district staff. [Section 24.121(5)(c), Florida Statutes]

Note: The State is to hold back the Educational Enhancement Trust Fund moneys of a school district in which one or more schools do not comply with the school advisory council membership composition requirements. [Section 24.121(5)(d), Florida Statutes]

Suggested Audit Procedures

- Determine whether the school district established an advisory council for each school or established a districtwide advisory council if, the school district has less than 10,000 students.
- Test to determine that school advisory council members were representative of the groups specified in law. Please review AGO 2008-16 prior to completing this step. Use the following hyperlink: <http://myfloridalegal.com/ago.nsf/Opinions/5634E57A908E25D8852574250071E799>
- Determine that the school district allocated the required moneys for use by the school advisory councils.

BUDGETS AND LOCAL TAX LEVY

Compliance Elements

School districts are required to prepare an annual budget in the form distributed by the Commissioner of Education, to advertise the budget, hold public hearings on the budget, and submit the adopted budget to the Commissioner. The laws and rules governing the budget process are found in Sections 1001.42(12)(b) and (g), 1011.01 through 1011.11, and Chapter 200, Florida Statutes, and SBE Rules 6A-1.002 through 6A-1.0071. Also, Sections 1011.012 and 1013.61, Florida Statutes, address requirements for an annual capital outlay budget and require that the budget designate the proposed capital outlay expenditures by project for the year from all fund sources. These sections preclude expending funds on any capital project not included in the budget, as amended. Sections 1011.012(2) and 1013.35, Florida Statutes, require that, prior to adoption of the district budget, the board shall prepare a tentative district facilities work program that includes elements specified in these sections.

The school district receives current education operating funding primarily from local and State sources. Revenues from local sources are primarily generated by local county ad valorem taxes. Revenues from State sources are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula is designed to maintain equity in funding across all Florida school districts, taking into account the school district's funding ability based on the local property tax base. FEFP revenues are

generated based on the reported numbers of full-time equivalent students in various educational program categories. Under the provisions of Section 1011.71, Florida Statutes, the Commissioner of Education provides to the school district the amount of the minimum local tax millage rate to provide the nonvoted required local effort for operating funds. Additionally, a maximum nonvoted discretionary millage amount may be levied for current operations as set forth in Chapter 2008-152, Section 2, Item 81, Laws of Florida.

The school district may levy an additional nonvoted amount under the provisions of Section 1011.71, Florida Statutes, to be used for capital outlay purposes set forth in this Section. Note: Bond resolutions for general obligation bonds will address the millage authorized for any local bonds that were approved by local referendum.

Also, the board, upon approval by local referendum, may levy a millage for operational purposes which is in addition to the nonvoted required local effort and nonvoted discretionary local effort levies authorized by Section 1011.71(1), Florida Statutes, and Chapter 2008-152, Section 2, Item 81, Laws of Florida. This millage may be levied in an amount that, when combined with the total nonvoted millage levied under Section 1011.71, Florida Statutes, does not exceed the 10-mill limit established in Section 9(b), Article VII of the State Constitution.

Under the provisions of Section 212.055(6), Florida Statutes, a board may levy, pursuant to approval by a majority vote of the electors of the county, a discretionary sales surtax at a rate that may not exceed 0.5 percent. The proceeds must be used for school facilities as set forth in this section. A school district imposing this surtax must implement a freeze on noncapital local school property taxes, at the millage rate imposed in the year prior to the implementation of the surtax, for a period of at least three years from the date of imposition of the surtax.

Note: Section 1011.62(6)(b), Florida Statutes, provides additional flexibility for boards to use certain State appropriations for board-specified academic classroom instruction. The uses of these resources for board-specified academic instruction are to be authorized by the board through a resolution and an amendment to the school district's 2008-09 operating budget.

Chapter 2009-003, Section 11, Laws of Florida, provides guidelines for general funds and requires that the district school board shall maintain an unreserved general fund balance that is sufficient to address normal contingencies. The law states that, if at any time the unreserved general fund balance in the district's approved operating budget is projected to fall during the current fiscal year below 3 percent of projected general fund revenues, the superintendent shall provide written notification to the district school board and the Commissioner of Education. If the unreserved general fund balance in the district's approved operating budget is projected to fall during the current fiscal year below 2 percent of projected general fund revenues, the superintendent shall provide written notification to the district school board and the Commissioner of Education. Within 14 days after receiving such notification, if the commissioner determines that the district

does not have a plan that is reasonably anticipated to avoid a financial emergency as determined pursuant to Section 218.503, Florida Statutes, the commissioner shall appoint a financial emergency board that shall operate consistent with the requirements, powers, and duties specified in Section 218.503(3)(g), Florida Statutes.

Suggested Audit Procedures

- Determine that the school district prepared an annual budget in accordance with the form prescribed by the Commissioner of Education, advertised the budget, held public hearings, and that the board subsequently approved and submitted the budget to the Commissioner. Test to determine that the board approved any amendments to the original budget.
- Determine that the school district allocated to schools within the district an average of 90 percent of the funds generated by all schools and that each school receives at least 80 percent of the funds generated by that school based upon the Florida Education Finance Program (FEFP), including gross State and local funds, discretionary lottery funds, and the funds from the current operating discretionary millage levy (exclude supplemental academic instructional funds and class size reduction operating categorical funds). Note that unused funds at the end of each fiscal year shall remain with the school and not revert to the District. [Section 1011.69, Florida Statutes]
- Determine that final expenditures do not exceed the authorized budget, as amended. Note: If significant overexpenditures occurred prior to the board amending the budget, determine whether such overexpenditures were authorized under board policies. [Section 1011.06(2), Florida Statutes]
- Determine that the board levied the required local effort millage prescribed by the Commissioner, and that the optional nonvoted discretionary operating millage did not exceed that set by law.
- Determine that any amounts levied for operational purposes, that are in addition to the nonvoted required local effort and nonvoted discretionary local effort levies authorized by Section 1011.71(1), Florida Statutes, and Chapter 2008-152, Section 2, Item 81, Laws of Florida, were approved by local referendum pursuant to Section 1011.71(6), Florida Statutes, and were within the 10 mill limitation.
- Determine that the board prepared a tentative district facilities plan in accordance with Section 1013.35, Florida Statutes, prior to the adoption of the budget. See also the section below on **CAPITAL OUTLAY ACTIVITIES**.
- Test to determine compliance with the capital outlay project budget requirements of Section 1013.61, Florida Statutes.
- Determine that the first year of the adopted district educational facilities plan constitutes the capital outlay budget required in Section 1013.61, Florida Statutes.

- Determine that the district educational facilities plan includes long-range planning for facilities needs over 5-year, 10-year, and 20-year periods, as required in Section 1013.35(2), Florida Statutes.
- If the board levied the optional capital outlay millage, determine that the advertisement conformed to the requirements of Section 200.065(10), Florida Statutes, and specified the projects and number of school buses anticipated to be funded by the additional taxes.
- If the school district has outstanding general obligation bonds, determine that the amounts levied were within the amounts authorized by the approved referendum and were based upon reasonable projections of the amount of funds needed to pay the required debt service and/or satisfy required reserves.
- If the board levied the sales surtax, determine that the board's resolution set forth the capital outlay projects to be funded. [Section 212.055(6)(c), Florida Statutes]
- If the board levied the sales surtax, determine that the school district put a freeze on noncapital local school property taxes at the millage rate imposed in the year prior to implementation of the surtax. [Section 212.055(6)(d), Florida Statutes]
- Review the Board's financial position. Determine compliance with Chapter 2009-003, Section 11, Laws of Florida, regarding the guideline provided for the general funds of district school boards.

CASH AND INVESTMENTS

Compliance Elements

Section 136.01, Florida Statutes, requires that school district moneys be deposited to qualified public depositories as set forth in Section 280.02, Florida Statutes. Section 1011.18, Florida Statutes, specifies requirements for payments into and withdrawals from the school district accounts. Additionally, SBE Rule 6A-1.0012, establishes requirements and minimum security measures that should be met for electronic funds transfers.

Sections 218.415, 1011.22, and 1011.18, Florida Statutes, address the types of authorized investments for school districts. Note: Terms of bond resolutions may also affect the types of investments that may be authorized for bond proceeds. Section 1011.09, Florida Statutes, requires that a board credit interest or profits on investments to the specific budgeted funds as defined by Section 1010.01, Florida Statutes, that produced the earnings unless otherwise authorized.

Section 218.415(22), Florida Statutes, requires that certified public accountants conducting audits pursuant to Section 218.39, Florida Statutes, report, as part of the audit,

whether or not the unit of local government has complied with Section 218.415, Florida Statutes.

Suggested Audit Procedures

- Determine that depositories have been designated as qualified public depositories by the State Chief Financial Officer.
- Test to determine that checks are signed by the chair or vice-chair, and the superintendent. For electronic funds transfers, determine that there is a written agreement between the school district and the bank that meets the requirements of the SBE rule cited above, and test to determine that the other minimum security measures specified by the SBE rule are in place. These tests should consider the requirements of Section 1011.18(4), Florida Statutes, governing the withdrawal of moneys from school district depositories and the exemptions in Section 1011.18(6), Florida Statutes, for self-insurance and third-party administered employee fringe benefit programs.
- Determine that the board policies specify the nature and type of investments authorized, including investment liquidity and maturity, objectives, performance measurements, portfolio composition, risk and diversification, authorized investment institutions and dealers, third-party custodial agreements, and prudence and ethical standards. Note: If the District has adopted an investment policy, it must include the requirements listed in Section 218.415 (1) through (15), Florida Statutes. Otherwise, if the District has not adopted such a policy, its investments are restricted to those authorized by Section 218.3415(17), Florida Statutes.
- Test to determine that the types of investments were authorized.
- Where pooled bank and/or investment accounts are utilized, test to determine that adequate records are maintained to properly segregate fund or account balances and that interest earnings are properly allocated. [Section 1011.09(1), Florida Statutes]

TEMPORARY ADVANCES BETWEEN FUNDS

Compliance Elements

Section 1011.09(2), Florida Statutes, authorizes a board to temporarily advance moneys from one fund, as defined by the accounting system required by Section 1010.01, Florida Statutes, to another fund when insufficient moneys are available to meet current obligations if the temporary advance is repaid within 13 months. The temporary advance must not restrict, impede, or limit implementation or fulfillment of the original purposes for which the moneys were received in the fund providing the advancement.

Suggested Audit Procedures

- Determine that temporary advances do not exceed the time frame for repayment and that any such advance did not adversely affect implementation or fulfillment of activities accounted for in the fund from which the moneys were advanced.

TANGIBLE PERSONAL PROPERTY

Compliance Elements

Chapter 274, Florida Statutes, and Section 69I-73, FAC, Rules of the Department of Financial Services (DFS), establish record keeping and annual inventory requirements for school district tangible personal property. These laws and rules also address requirements for disposal of tangible personal property.

Suggested Audit Procedures

- Test to determine that the school district established records for and marked new acquisitions in accordance with Section 274.02, Florida Statutes, and Sections 69I-73.003 and 69I-73.004, Rules of the DFS.
- Test to determine that any disposals of tangible personal property were made in accordance with Sections 274.05 through 274.07, Florida Statutes, and Section 69I-73.005, Rules of the DFS.
- Test to determine that an annual physical inventory was made of all tangible personal property and reconciled to the property records, and that the reconciling items were promptly investigated and resolved. [Section 274.02, Florida Statutes, and Section 69I-73.006, Rules of the DFS]

RESTRICTED REVENUE SOURCES

Compliance Elements

School districts receive restricted revenue sources from the State under various provisions of law. These revenue sources are to be used for specific programs and objectives. These sources may include funds for transportation (Section 1011.68, Florida Statutes), instructional materials (Section 1011.67, Florida Statutes), supplemental academic instruction (Section 1011.62(1)(f), Florida Statutes), workforce development (Section 1011.80, Florida Statutes), school recognition program (Section 1008.36, Florida Statutes), etc.

Suggested Audit Procedures

- Determine that the school district has established appropriate accounting records for recording the expenditures of the various restricted sources of funding in its budgetary accounts.

- Test expenditures of restricted sources for compliance with the restrictions governing their use.
- Determine that Workforce Development Funds are used for school district workforce development programs and not used to support K-12 programs or district K-12 administrative indirect costs.

PERSONNEL AND PAYROLL

Compliance Elements

Provisions relating to school district personnel matters are generally found in Chapter 1012, Florida Statutes. Other Sections include 112.215, and 1011.60(4), Florida Statutes.

Suggested Audit Procedures

- Test to determine that instructional personnel held current professional certification under the provisions of Sections 1012.56 and 1012.585, Florida Statutes. Section 1012.56(10) requires all instructional personnel to receive an FBI Level 2 screening every five years. Test to determine that this screening was performed for instructional personnel that were recertified in the 2008-09 year.
- For employees hired during the audit period, test to determine (1) that the school district verified and documented the employee's required education and experience to meet the position requirements; and (2) that the school district provided for a complete set of fingerprints to be taken, and obtained and reviewed the required background check. [Section 1012.32, Florida Statutes]
- For noninstructional employees and contracted personnel, unless exempt from the fingerprinting and criminal history checks as provided by Sections 1012.467 or 1012.468, Florida Statutes, who are permitted access on school grounds when students are present, who have direct contact with students, or who have access to or control of school funds, including vendors, verify that procedures are in place for obtaining fingerprints and FBI Level 2 screenings for these persons. [Section 1012.465, Florida Statutes establishes the requirement for Level 2 screenings. Beginning with the 2004-05 fiscal year, DOE and FDLE have agreed on a 5-year phase-in plan to meet the new fingerprinting and screening requirement.]
- If the school district established a sick leave pool, verify that the plan meets the eligibility, contributions, and use limitation requirements of Section 1012.61(3), Florida Statutes.
- Test to determine that payments for accumulated leave to employees is in compliance with school district policy and that the policy is in compliance with the provisions of Sections 1012.61 and 1012.65, Florida Statutes, relative to the limitations on the amounts that may be paid.

- Determine if the Superintendent and the school board members were properly paid in accordance with the salaries approved by the school board. (Sections 1001.395 and 1001.47, Florida Statutes.)
- Determine that the school district’s instructional salary schedule made provision for a portion of the compensation to be based on employee performance demonstrated under Section 1012.34, Florida Statutes. (Note: Section 24.121(5)(d), Florida Statutes, requires the Florida Department of Education to withhold Educational Enhancement Trust Fund disbursements from any district that fails to adopt a performance-based salary schedule.) [Sections 1012.22(1)(c), 1012.225, 1011.60(4), and 1012.27(2), Florida Statutes]
- If the school district offers a deferred compensation program to its employees, determine that the school district complied with the provision of Section 112.215(6)(b), Florida Statutes, in approving the plan.
- Determine that terminal payment for accumulated leave to employees is authorized and correctly calculated.

Section 1012.65, Florida Statutes, provides, “Effective July 1, 2001, terminal pay for accrued vacation leave may not exceed a maximum of 60 days of actual payment. This limit does not impair any contractual agreement established before July 1, 2001. For unused vacation leave accumulated before July 1, 2001, terminal payment shall be made pursuant to the District school board’s policies, contracts, or rules that are in effect on June 30, 2001.”

Section 1012.61(2)(a)4., Florida Statutes, provides for instructional and educational support employees terminal pay for accumulated sick leave, “may not exceed an amount determined as follows: a. During the first 3 years of service, the daily rate of pay multiplied by 35 percent times the number of days of accumulated sick leave; b. During the next 3 years of service, the daily rate of pay multiplied by 40 percent times the number of days of accumulated sick leave; c. During the next 3 years of service, the daily rate of pay multiplied by 45 percent times the number of days of accumulated sick leave; d. During the next 3 years of service, the daily rate of pay multiplied by 50 percent times the number of days of accumulated sick leave; e. During and after the 13th year of service, the daily rate of pay multiplied by 100 percent times the number of days of accumulated sick leave.”

Section 1012.61(2)(a)5., Florida Statutes, provides for employees other than instructional and educational support employees, “Sick leave accrued after June 30, 2004, shall be compensated at no more than the daily rate of pay applicable at the time the sick leave was earned.”

- If the District makes annual payments for accumulated sick leave other than terminal payment at the end of the school year, determine that the payment does not exceed 80 percent of the daily rate of pay. (Section 1012.61(2)(a)3., Florida Statutes)

EARLY RETIREMENT PROGRAMS

Compliance Elements

Although school district employees participate in the Florida Retirement System, a school district may provide for an early retirement program under the provisions of Section 1012.685, Florida Statutes, provided that certain eligibility requirements are met. This section limits the amount of the benefits that may be provided to the total difference between the retirement benefit based on average monthly compensation and creditable service as of the member's early retirement date and the State early retirement benefit. To fund the program, a school district may invest funds or purchase annuities. Such programs must comply with Article X, Section 14, of the State Constitution with regard to the actuarial soundness of the program. Section 112.63, Florida Statutes, requires an actuarial report on a 3-year basis; however, the reporting requirements of the GASB *Codification of Governmental Accounting and Financial Reporting Standards*, Pe5.127, necessitate an actuarial report on a two-year basis.

Suggested Audit Procedures

- Determine that the program complies with Section 1012.685, Florida Statutes, with regard to the eligibility requirements for the participation in the programs and the amount of benefits that may be provided.
- Determine whether an actuarial valuation has been performed in the last two years and whether the actuarial required funding has been met. Note: If the program consists solely of purchased annuities that fully fund the benefits, and the program is offered strictly as a year-to-year option in the school district's employee salary package, this step should not be applicable.

CAPITAL OUTLAY ACTIVITIES

Compliance Elements

The general requirements governing capital construction and maintenance activities are found in Chapter 1013, Florida Statutes, and the Commissioner of Education's *State Requirements for Educational Facilities, 2007*, incorporated by reference into Chapter 6-2, State Board of Education Rules. Section 287.055, Florida Statutes, addresses negotiation of contracts with architects and engineers. Construction and maintenance activities must adhere to the requirements set forth in law and rule. These laws and rules govern such activities as: (1) the manner of contracting for educational facilities; (2) the manner of ensuring compliance with building code requirements; (3) site selection and land acquisition; (4) annual inspections of educational and ancillary facilities for

compliance with safety and sanitation standards; (5) disposal of real property; (6) lease-purchases of educational facilities and sites; and (7) the educational plant survey and needs assessment documentation process and educational facilities work program. Note: Provisions in Chapter 1013, Florida Statutes, relating to the capital outlay project budget requirements are discussed above in the section **BUDGETS AND LOCAL TAX LEVY**.

In addition, the school district may receive various sources of restricted capital facilities moneys that must be used for acquisition and maintenance of capital facilities (including tangible personal property). These include the allocations of the Public Education Capital Outlay moneys (PECO), the local optional tax levy under Section 1011.71, Florida Statutes, or local bond issue proceeds. In assessing risk, the auditor will need to be alert to such sources of funds that are restricted for capital outlay use only. The budget document referred to in Section 1013.61, Florida Statutes, (see also **BUDGETS AND LOCAL TAX LEVY** above) should show the sources of funds to be used for each budgeted project.

Suggested Audit Procedures

Test to determine that:

- Earmarked capital outlay resources, e.g., PECO, proceeds of local optional tax levy pursuant to Section 1011.71, Florida Statutes, and local bond issue proceeds, were expended in accordance with restrictions imposed on the use of the resources. Section 1011.71(2), Florida Statutes, requires that 1.75-mill tax moneys be used for costs of 1) new construction and remodeling projects (without regard to prioritization, sites and site improvement or expansion to new sites, existing sites, auxiliary facilities, athletic facilities, or ancillary facilities); 2) maintenance, renovation, and repair of existing facilities; 3) purchase, lease-purchase, or lease of school buses and new or replacement equipment; 4) loan payments; 5) complying with State and Federal environmental statutes, rules, and regulations, governing school facilities; 6) renting or leasing buildings, relocatables, or sites; 7) school buses; and 8) opening day collection for the library media center of a new school. [NOTE: during the Legislature's January 2009 special session, allowable uses were expanded to include enterprise resource software applications classified as capital assets. See Chapter 2009-003, Section 12, Laws of Florida] Note also that Section 1011.71(4), Florida Statutes (2008), provides for the expenditure of 1.75-mill tax moneys for certain motor vehicles and insurance premiums for property and casualty insurance, provided the District meets certain requirements, as described in that statute. However, for the 2008-09 fiscal year, the District only has to certify that it has met its instructional needs in order to be able to use the 1.75-mill funds for vehicles and insurance. (NOTE: per the cited statute, this exception expires on July 1, 2009 and limits such expenditures to \$65/FTE – however, during the Legislature's January 2009 special session, the dates were amended to July 1, 2008 through June 30, 2010 and the limit raised to \$100/unweighted FTE (See Chapter 2009-003, Section 12, Laws of Florida). Note also that Chapter 2009-003, Section 16, Laws of Florida, states that if the

Commissioner of Education determines that a school district acted in good faith, he or she may waive the equal-dollar reduction required in Section 1011.71(5), Florida Statutes, for expenditures for property and casualty insurance made between May 1 and December 31, 2007, and for the audit findings for the 2006-07 fiscal year related to the purchase of software.

- Procedures for contracting for construction of new facilities or major additions to existing facilities conformed to Sections 1013.45, 1013.46, and 255.20, Florida Statutes, and Section 4, *State Requirements for Educational Facilities, 2007*.
- Architects and engineers were selected in accordance with Sections 1013.45(4) and 287.055, Florida Statutes.
- Policies have been developed to establish minimum insurance coverage requirements for design professionals and that insurance is in effect prior to awarding projects, in accordance with Section 4, *Guidelines for Educational Facilities 2007*.
- The educational plant survey and the facilities work program were prepared in accordance with Sections 1013.31, and 1013.35, Florida Statutes, and Section 3, *State Requirements for Educational Facilities, 2007*.
- Any energy savings contracts entered into under the provisions of Section 1013.23, Florida Statutes, conformed to the requirements relating to the selection of the contract provider; provided for a guaranteed measurable annual savings; and limited the contract length as specified by law.
- The annual inspections of educational and ancillary facilities, including relocatables, were made for compliance with safety and sanitation standards prescribed by Sections 4 and 5, *State Requirements for Educational Facilities, 2007*. [Sections 1013.12 and 1013.20, Florida Statutes]
- The school district provided to the law enforcement agency and fire department with jurisdiction over each educational facility a copy of the floor plans and other relevant documents as required by Section 1013.13, Florida Statutes. These documents were to be submitted by October 1, 2000, and updated by October 1 of each year for facilities modified during the preceding year.
- Appraisals were obtained for any land acquisitions as required by Section 1013.14, Florida Statutes, and that site selection and inspection procedures required by Section 1013.36 and 1013.365, Florida Statutes, were followed.
- For construction projects:
 1. The construction plans were properly reviewed and approved (Sections 1013.37(2), 1013.371(3), and 1013.38, Florida Statutes);

2. The District provided for the required project inspections during construction for compliance with the Florida Building Code and Florida Fire Prevention Code by inspectors or a chief building official certified pursuant to Chapter 468. (Section 1013.371, FS.)
 3. Change orders were approved by the Board, or by written policy their designee (Section 1013.48, Florida Statutes);
 4. A payment and performance bond was provided (Section 1013.47, Florida Statutes), and all required insurance was in force (Section 4.1(1)(f) *Guidelines for Educational Facilities 2007* and Section 4.2 *State Requirements for Educational Facilities, 2007*);
 5. The contract provided for penalty clauses relating to completion dates and were enforced, or the Board approved the waiving of penalties (Section 1013.47, Florida Statutes);
 6. Final payment was made only after the project had been inspected by the architect or other person designated by the Board and they had issued a written certification that the project was constructed in accordance with the approved plans, specifications, and change orders, and the Board, acting on these recommendations had accepted the project (Section 1013.50(1), Florida Statutes);
 7. The required letter of assurance with regard to water quality was obtained prior to occupancy of the facility (Section 403.862(1)(c)2., Florida Statutes, and Department of Environmental Protection Rule 62-555.345, Florida Administrative Code); and
 8. A separate project account was kept for each project that was subject to Section 1013.371(3), Florida Statutes. [SBE Rule 6A-1.011]
- For leased facilities, inspections and other requirements of Section 1013.15, Florida Statutes, were met.
 - Day-Labor projects conformed to Section 1013.45(e), Florida Statutes, and Section 4, *State Requirements for Educational Facilities, 2007*.
 - The amounts reported to the Florida Department of Education as expended/encumbered in the current audit period for various PECO funds are in agreement with the school district's accounting records and that the superintendent certified that the PECO funds are in compliance with applicable laws. [Section 1013.31(2), Florida Statutes]

PURCHASING AND OTHER EXPENDITURES AND EXPENSES

Compliance Elements

The general requirements relating to school district purchasing practices are found in SBE Rule 6A-1.012, which requires that the board establish purchasing rules, and sets forth the bid requirements and the exemptions from these requirements. Other provisions addressing purchasing include SBE Rule 6A-7.0411(2)(i), which addresses purchases of school food service program items, and Section 112.08(2)(a), Florida Statutes, which addresses the acquisition of various group insurance coverages for school district officers and employees. As noted above in the section **CAPITAL OUTLAY ACTIVITIES**, Chapter 1013, Florida Statutes, and the *State Requirements for Educational Facilities, 2007*, address purchasing requirements related to land and capital facilities.

Section 1001.42(12)(i), Florida Statutes, addresses conflicts of interest relating to school district officials, and Chapter 112, Part III, Florida Statutes, provides a code of ethics for public officers and employees.

Travel expenditures are governed by Section 112.061, Florida Statutes.

Suggested Audit Procedures

- Determine that the board has adopted purchasing policies, including the extent to which purchasing authority has been delegated to the superintendent as set forth in SBE Rule 6A-1.012.
- Test to determine that purchases were made in accordance with law, rule, and board policies.

INSURANCE AND RISK MANAGEMENT PROGRAMS

Compliance Elements

Section 1001.42(10)(k), Florida Statutes, provides the general requirements for the protection against loss for school district property. School districts may purchase insurance, be self-insured, or enter into risk management programs as set forth in law. Section 112.08, Florida Statutes, addresses group insurance coverages for school district officers and employees and prescribes requirements that must be met when this coverage is provided through risk management programs that include self-insurance. If the school district is self-insured for workers' compensation coverage, the administrator should be approved by the Office of Insurance Regulation.

Suggested Audit Procedures

- Determine that the board has made provision to protect against loss or damage of school district property or loss resulting from any liability for which the board or its officers, agents, or employees may be responsible.

- If the school district has elected to self-insure for group health insurance, determine that the plan has been approved as to actuarial soundness by the Office of Insurance Regulation (Section 112.08(2)(b), Florida Statutes); and that the administrator or insurance company has been approved by the Office of Insurance Regulation (Section 112.08(2)(b), Florida Statutes). If the school district is self-insured for workers' compensation coverage, determine that the administrator was approved by the Office of Insurance Regulation. [Financial Services Rule 69L-5.113/.114, Florida Administrative Code]
- If the school district participated in a risk management program that is administered by a trust or other school-related association, determine that the school district obtained a copy of the required audit of the program. [Section 1001.42(12)(k), Florida Statutes]

DEBT FINANCING

Compliance Elements

A board is limited by law to the manner in which it may incur debt (Sections 1001.42(12)(e) and 1011.12, Florida Statutes). Current loans in anticipation of the receipt of current school funds (tax anticipation notes) are governed by Section 1011.13, Florida Statutes. Loans for capital outlay purposes are governed by Section 1011.14, Florida Statutes. Obligations to eliminate major emergency conditions are governed by Section 1011.15, Florida Statutes. Provisions for retirement of existing indebtedness that is unfunded or in default are found in Section 1011.16, Florida Statutes.

School districts may issue bonds creating a long-term indebtedness as prescribed by law. General provisions governing bond issues are found in Sections 215.84, 218.38, 218.385, 1010.40 through 1010.59, and 1011.21 through 1011.23, and Chapter 132, Florida Statutes. Note: In assessing risk, the auditor will also need to review any Special Acts that may impact the initial issue or refunding of any revenue bonds.

Tax exempt debt is subject to the Internal Revenue Code and Internal Revenue Regulations, primarily Title 26, Section 148, United States Code (USC) and Title 26, Section 1.148, Code of Federal Regulations (CFR). These provisions govern the manner in which the debt must be administered in order to maintain its tax exempt status.

Debt securities issued by school districts are subject to the continuing annual financial and operating disclosure requirements of the Securities and Exchange Commission in SEC Rule 15c2-12.

Suggested Audit Procedures

- For any current operating loans, determine: (1) that the amount borrowed does not exceed 80 percent of the amount included in the official budget as the estimated

school district tax, unless the tax roll is subject to litigation; and (2) that such current loans are defeased no less than 5 business days prior to the issuance of any new loan that is to be repaid from the subsequent year's revenues. [Sections 1011.13(1)(a) and (c), and 1011.13(2), Florida Statutes]

- For capital outlay loans obtained pursuant to Section 1011.14, Florida Statutes, determine that: (1) the amount of the loan or loans do not exceed one-fourth of the school district ad valorem tax revenue for the preceding year; and (2) the board adopted and spread upon its minutes a resolution giving the nature of the obligations to be incurred and the plan of payment.
- For any new bond issues, determine that: (1) school district records document the authority for the debt; and (2) if sold other than by competitive bid, that school district records provide the specific reasons that a negotiated sale was in the best interest of the school district. [Sections 218.385, 1010.47, and 132.09, Florida Statutes]
- For any debt issued during the period, determine that the rates of interest comply with the provisions of Section 215.84(3), Florida Statutes.
- The restrictions on the use of the debt proceeds should be considered in the tests performed in the **CAPITAL OUTLAY ACTIVITIES** section and **PURCHASING AND OTHER EXPENDITURES AND EXPENSES** section above.
- School districts may be involved in the issue of certificates of participation or lease revenue bonds. These are generally issued under the provisions of Section 1013.15, Florida Statutes, and involve a third party that issues the debt. The auditor will need to review the specific debt indenture documents to assess the authority and restrictions on this debt to determine that the school district is in compliance with the provisions of Section 1013.15, Florida Statutes, with regard to the leased facilities, and that the arrangement does not constitute an obligation extending beyond the current budget year.
- If the debt is tax exempt, the school district will be subject to the arbitrage rebate and restrictions of the Internal Revenue Code. For issuers whose total tax exempt debt issued within the calendar year does not exceed \$5,000,000, audit procedures would be limited to verification that the required information return was filed and that at least 95 percent or more of the net proceeds were used for local governmental (school district) activities and that the issue was not a private activity bond (Title 26, USC Section 148(f)(4)(D)). Note that the \$5,000,000 limitation would take into account all tax exempt obligations issued during the calendar year. Also, the arbitrage rebate restrictions generally will not apply if the proceeds from the issue have been spent within six months of the date of issue. For purposes of tax anticipation notes, this safe harbor rule requires that, at some point within six months of the issuance of the notes, the cumulative cash flow deficit must exceed 90 percent of the proceeds of the issue (Title 26, USC Section 148(f)(4)(B)(iii)). The cumulative cash flow deficit is

defined as the excess of the amount the issuer spends during the calculation period over the sum of the amounts other than note proceeds available for payment of the expenditures. Also, exceptions to the arbitrage restrictions are provided for tax exempt debt for which the proceeds are spent at required levels over a specific period (Title 26, USC Section 148(f)(4)(C)). The issue may also be exempt if the school district invests the proceeds in certain other tax exempt securities or in the Federal Treasury Demand Deposit SLGS Program (26 CFR 1.148-2(d)(2)(v)). Suggested audit procedures dealing with the arbitrage rebate and restriction requirements are noted below.

- Verify that the school district has filed with the IRS the required information return relative to the issue of the debt. [Title 26, USC Section 149(e)]
- If the debt issue(s) is considered by the school district to be exempt from the arbitrage rebate and restrictions because the cumulative tax exempt debt for the calendar period in which the debt was issued does not exceed \$5,000,000, verify that the total tax exempt debt issued during the calendar year does not exceed \$5,000,000. [Title 26, USC Section 148(f)(4)(D)]
- If the school district considers an issue exempt from the arbitrage rebate and restrictions because the proceeds were expended within six months of issue, verify that the school district's records document that the funds were expended within the six-month time period. See notation above regarding the requirements relative to tax anticipation notes. [Title 26, USC Section 148(f)(4)(B)]
- If the school district considers the issue to be exempt from the arbitrage rebate and restrictions because of the types of securities in which the proceeds have been invested, review the school district's records to determine the basis for the exemption and that the investments were of the nature represented by the school district. [26 CFR 1.148-2(d)(2)(v)]
- For construction bond issues for which the school district elected the two-year spend out provisions in order to exempt the issue from the arbitrage rebate and restrictions, determine that the school district's records demonstrate that at least 75 percent of the issue is to be used for construction on school district property and that the cumulative expenditures from the proceeds are made within the following schedule from the date of issue: within 6 months, 10 percent; 12 months, 45 percent; 18 months, 75 percent; 24 months, 100 percent. An issuer is treated as meeting this requirement if the only unspent proceeds at the end of 24 months is a reasonable retainage not exceeding 5 percent and the reasonable retainage is spent within an additional 12 months. Note that an issuer electing this provision may also elect to pay a penalty in lieu of any required rebate in the event of failure to meet the spend-out provisions. [Title 26, USC Section 148(f)(4)(C)(ii), (iii), and (vii)]
- For all issues for which the school district elected the 18-month spend out provisions in order to exempt the issue from the arbitrage rebate and restrictions, determine that

the school district records demonstrate that the cumulative expenditures from the proceeds are made within the following schedule from the date of issue: within 6 months, 15 percent; within 12 months, 60 percent; and within 18 months, 100 percent. An issuer is treated as meeting this requirement if the only unspent proceeds at the end of 18 months is a reasonable retainage not exceeding 5 percent of the issue and the reasonable retainage is spent within an additional 12 months. Note that this exception does not apply to an issue any portion of which is treated as meeting the 24-month exception. [26 CFR 1.148-7(d)]

- Verify that the projects constructed from the proceeds are not for use in a private activity, for example, a cafeteria which will be contracted to a private contractor for operation. [Title 26, USC Section 148(f)(4)(C)(iv)(II)]
- Verify that the school district has complied with terms of the issue(s) relative to engaging any professional services (e.g., a rebate administrator) to assist in ensuring compliance with the arbitrage rebate and arbitrage restriction provisions.
- For those debt issues for which an arbitrage rebate amount is required to be calculated, complete the following procedures. Note: These procedures would be applicable to those issues not determined to be exempt in the steps above.
 1. Verify that the school district has complied with the temporary period restrictions in which arbitrage may be earned. For issues for capital facilities funding, the temporary period would generally be three years from the date of issue if: (1) 85 percent of the spendable proceeds are spent within the three-year period; (2) a substantial binding contract to commence work on or acquire the project is incurred within six months after the bonds are delivered; and (3) work on or acquisition of the project(s) proceeds with due diligence to completion (26 CFR 1.148-2(e)(2)(i)). The permissible period for tax anticipation notes is different; however, given the requirements under Florida law regarding repayment of these notes, the temporary period discussed in 26 CFR 1.148-2(e)(3)(ii) should be met. If the school district has not expended the proceeds within the prescribed time frame, determine the actions taken by the school district to obtain an approved extension of the time period under which the proceeds are to be expended or to otherwise restrict the investment of the remaining portion to ensure that arbitrage earnings do not occur.
 2. Verify that records have been established which segregate the proceeds received from the issue and which identify amounts of the proceeds invested and the interest earned thereon.
 3. Verify that the school district has appropriately determined the bond yield for purposes of the rebate calculation.
 4. Review and determine the adequacy of the procedures established by the school district to compute the arbitrage rebate amount.

5. If the bond resolutions require the rebate amount to be calculated and placed in a rebate account periodically, determine that the school district has complied with these restrictions.
- If the debt issue has a required reserve under the terms of the bond resolutions, verify the following:
 1. Determine that no more than 10 percent of the bond proceeds were transferred to the required reserve. Under Title 26, USC 148(d)(2), a bond could be treated as an arbitrage bond if more than 10 percent of the proceeds is transferred to the reserve fund. For a higher amount to be transferred, approval from the Treasury Department would be necessary.
 2. Determine that the arbitrage rebate calculation was made for any moneys placed in a required reserve fund. This would include any proceeds from the issue as well as moneys from other sources. Note that the arbitrage calculation would not apply to any moneys in a so-called bona fide debt service fund set up to service the debt.
 3. Verify that the amounts held in a bona fide debt service fund for the payment of debt service do not exceed the limitation under the definition of a bona fide debt service fund. A bona fide debt service fund is defined as a fund used primarily to achieve a proper matching of revenues and debt service within each bond year. A bona fide debt service fund must be depleted at least once each year except for a reasonable carryover amount not to exceed the greater of: (A) one-year's earnings on the fund or (B) one-twelfth of annual debt service. [26 CFR 1.148-1(b)]

Note: Under the Tax Reform Act of 1986, debt service funds (so-called "interest and sinking funds" as opposed to required reserve funds) were subject to rebate requirements if the debt service fund for the issue earned more than \$100,000. The Technical and Miscellaneous Revenue Act of 1988 revised the debt service fund requirements to exclude from the rebate requirements the debt service funds for all fixed rate, long-term (maturities of five years or longer) issues. For issues prior to November 11, 1988, the issuer was allowed a one-time election to adopt the amendment for the affected bond issues. If the issuer did not elect to adopt the new rules, then the debt service fund earnings for the affected issue would still be subject to the \$100,000 limitation. These provisions apply to moneys held for use in meeting debt service payments and not to moneys held to meet required reserves. In effect, this exclusion would apply to those moneys held in the debt service fund for the issue in excess of the required reserve. However, these amounts would be limited under the definition of a bona fide debt service fund set forth in the Internal Revenue Code as defined above. If the school district has taken the election discussed above, it would appear that the total required debt service for all bond issues outstanding could be considered in computing the amount of the bona fide debt service requirements. If the election was not taken,

a review of each bond issue dated prior to November 11, 1988, would have to be made on an issue by issue basis to verify that the earnings did not exceed \$100,000 on the debt service fund excluding any required reserve for that issue. [Title 26, USC Section 148(f)(4)(A)(ii)]

- Verify that any amounts due to the U.S. Treasury for arbitrage rebates were properly remitted. The first rebate installment payment must be made for a computation date that is not later than 5 years after the issue date. Subsequent rebate installments must be made for a computation date that is not later than 5 years after the previous computation date. Each rebate payment must be made no later than 60 days after the computation date. [26 CFR 1.148-3(f)]
- For those issues for which the school district elected to pay the penalty in lieu of rebate, review the school district's calculation and payment. Under Title 26, USC Section 148(f)(4)(C)(vii), an issuer of a construction issue may elect on or before the issue date to pay a penalty (the 1-1/2 percent penalty) to the United States in lieu of the obligation to pay the rebate amount on available construction proceeds upon failure to satisfy the spending requirements. The 1-1/2 percent penalty is calculated separately for each spending period, including each semiannual period after the end of the fourth spending period, and is equal to 1.5 percent times the underexpended proceeds as of the end of the spending period. For each spending period, underexpended proceeds equal the amount of available construction proceeds required to be spent by the end of the spending period, less the amount actually allocated to expenditures for the governmental purposes of the issue by that date. The 1-1/2 percent penalty must be paid to the United States no later than 90 days after the end of the spending period to which it relates. [26 CFR 1.148-7(k)]
- Verify that the school district has procedures in place to provide for filing the continuing annual financial and operating information disclosures with each nationally recognized municipal securities information repository (NRMSIR) or to the appropriate State information depository (SID), in accordance with Title 17, Section 240.15c2-12, CFR. These continuing disclosure requirements are applicable to most municipal bonds sold subsequent to July 3, 1995. (Effective July 1, 2009, instead of filing such information with the NRMSIRs and/or SID, issuers are to file only with the MSRB. <http://www.sec.gov/info/municipal/nrmsir.htm>.)

CONSORTIUMS AND JOINT PROJECTS

Compliance Elements

School districts may establish and participate in educational consortiums that are designed to provide joint programs and services to cooperating school districts (Sections 1001.42(4)(j) and 1001.42(14), Florida Statutes). SBE Rule 6A-1.099 generally governs the operations of such arrangements. A school district electing to join a consortium shall by resolution declare its participation setting forth at least the following: (1) the specific needs of the school district that will be met by the consortium activities; (2) the services

to be received by the school district; (3) a beginning date of entry into the agreement; (4) a termination date for the agreement or an annual renewal option; and (5) amounts of funds to be paid annually for the services received or the specific method of computation used to determine such amounts.

The superintendents of the participating school districts or his/her designee shall constitute the consortium board of directors.

The consortium shall establish a district of record to act as fiscal agent. Personnel shall be employed under the salary schedule of the district of record and ownership and control of property shall be vested in the district of record.

Suggested Audit Procedures

- Verify that board resolutions have been approved for consortium participation.
- If the school district serves as the district of record, verify that the consortium activities have been properly accounted for in the school district's records.

EDUCATIONAL FACILITIES BENEFIT DISTRICTS

Compliance Elements

School districts may participate in an educational facilities benefit district (EFBD) through an interlocal cooperative agreement with local general purpose governments in accordance with Section 1013.355, Florida Statutes. The purpose of EFBDs is to assist in financing the construction and maintenance of educational facilities. EFBDs have authority to finance and construct educational facilities, borrow money, and levy non-ad valorem assessments. The school district's responsibility for any debt service payment on debt issued by the EFBD will depend on the terms of the interlocal agreement. Generally, a school district's liability for debt service payments (referred to as gap funding) will be the difference between the revenues and assessments collected by the EFBD and the debt service payments.

Suggested Audit Procedures

Determine the following:

- The agreement with the EFBD provides for accounting to the school district for non-ad valorem assessments levied and collected, use of debt service proceeds,

and investment of funds to effectively limit the gap funding required by the school district.

- Funds contributed by the school district are not used for operational costs.
- The school district is not required to contribute funds for construction costs and maintenance which exceeds the cost-per-student criteria established for the SIT Program in Section 1013.72(2), Florida Statutes.

STUDENT FEES

Compliance Elements

The general principle governing fees charged by a board is that the board must point to the specific provision of law or rule which authorizes the fee.

Section 1000.04, Florida Statutes, establishes that Florida's K-20 education system provides for the delivery of public education through publicly supported and controlled K-12 schools, community colleges, state universities and other postsecondary educational institutions, other educational institutions, and other educational services as provided or authorized by the Constitution and laws of the State. Article IX of the State Constitution provides, in part, that adequate provision shall be made by law for a uniform system of free public schools. Public K-12 schools are defined in Section 1000.04(1), Florida Statutes, to include charter schools and consist of kindergarten classes; elementary, middle and high school grades and special classes; school district virtual instruction programs; workforce education; career centers; adult, part-time, and evening schools, courses, or classes as authorized by law to be operated under the control of district school boards; and lab schools operated under the control of state universities.

Sections 1009.22, 1009.25, 1009.26, and 1009.27, Florida Statutes, address fees for Workforce Education and provide the circumstances under which fees for these types of courses are to be charged.

Suggested Audit Procedures

- Tests of revenues should consider moneys collected from fees to determine that such fees were approved by the board and that the board has cited the specific authority to charge the fee.

ADULT EDUCATION ENROLLMENT AND REPORTING

Compliance Elements

Paragraph 120 of Chapter 2008-152, Laws of Florida, states, "From the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult

general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Department of Education instructional hours reporting procedures.”

Suggested Audit Procedures

- Verify that the District reported enrollment for adult general education programs identified in Section 1004.02, Florida Statutes in accordance with the Florida Department of Education’s (FDOE) instructional hours reporting procedures.
- Verify the District reported student instructional and contact hours in accordance with FDOE requirements as disclosed in the following FDOE instructions:
 - FDOE Memorandum No. 06-14 can be viewed on FDOE’s web site at http://info.fl DOE.org/docushare/dsweb/Get/Document-3722/06_14memo.pdf
 - FDOE procedures for the reporting of instructional/contact hours in adult general education courses can be viewed on FDOE’s web site at http://info.fl DOE.org/docushare/dsweb/Get/Document-3723/06_14att1.pdf
 - FDOE’s Technical Assistance Paper: Implementation of Adult General Education Instructional Hours/FTE Reporting Procedures in 2006-07, Dated April 2006 (can be viewed on FDOE’s web site at http://info.fl DOE.org/docushare/dsweb/Get/Document-3724/06_14att2.pdf)

CONFIDENTIAL RECORDS

Compliance Elements

School districts may only collect social security numbers of students, individuals seeking employment with the District, or other individuals under certain conditions specified in Section 119.071(5)(a)2.,(5)(a)3., and (5)(a)4., Florida Statutes.

An agency may not deny a commercial entity engaged in the performance of a commercial activity access to social security numbers, provided the social security numbers will be used only in the performance of a commercial activity and provided the commercial entity makes a written request for the social security numbers. The written request must be verified as provided in Section 92.525, Florida Statutes; be legibly signed by an authorized officer, employee, or agent of the commercial entity; contain the commercial entity's name, business mailing and location addresses, and business telephone number; and contain a statement of the specific purposes for which it needs the social security numbers and how the social security numbers will be used in the performance of a commercial activity. Note: An agency may request any other information reasonably necessary to verify the identity of a commercial entity requesting the social security numbers and the specific purposes for which the numbers will be used.

Suggested Audit Procedures

- Verify that the district did not collect social security numbers unless it provided the individual a written statement as to the purpose of the collection.
- Verify that the district reviewed its compliance with the above requirements and certified its compliance to the President of the Senate and Speaker of the House of Representatives no later than January 31, 2008.
- Verify compliance with the annual reporting requirements of Section 119.071(5)(a)9., Florida Statutes.