

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2024-081
December 2023

**BRADFORD COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2022-23 fiscal year, Will Hartley served as Superintendent of the Bradford County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Sheila Fayson Cummings, Chair through 11-21-22	1
Gayle Shuford Nicula, Chair from 11-22-22	2
Cheryl Godwin Canova	3
Candace Osteen, Vice Chair	4
Lynn Melvin from 11-22-22	5
Erica Mains Reddish through 11-21-22	5

The team leader was Ashton Balkcom, and the audit was supervised by Denita K. Tyre, CPA.

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

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BRADFORD COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Bradford County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2021-110. Our operational audit disclosed the following:

Finding 1: As of May 3, 2023, 47 percent of the District school employees had not completed the required youth mental health awareness and assistance training.

Finding 2: Contrary to State law, the District expended ad valorem tax levy proceeds totaling \$19,088 for custodial or groundskeeping functions. A similar finding was noted in our report No. 2021-110.

Finding 3: District controls over monitoring construction management entity (CME) payments could be improved.

Finding 4: District records did not demonstrate verification that CMEs competitively selected qualified subcontractors.

Finding 5: District procedures for negotiating, monitoring, and documenting the reasonableness of CME general conditions costs need improvement.

Finding 6: District procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Finding 7: District controls over journal entries need to be enhanced.

Finding 8: District records did not always evidence that bank account reconciliations were promptly completed.

Finding 9: The District did not comply with State law by posting on its Web site the required official budget for the 2022-23 fiscal year. A similar finding was noted in our report No. 2021-110.

Finding 10: As of July 28, 2023, the District had not completed a physical inventory of all District-owned tangible personal property since the 2019-20 fiscal year.

Finding 11: District controls over payments for contracted services could be enhanced. A similar finding was noted in our report No. 2021-110.

Finding 12: As similarly noted in our report No. 2021-110, District records did not always demonstrate that the District documented the eligibility of dependents participating in the District health insurance plan, accurately paid insurance contributions, or promptly canceled the insurance of employees who separated from District employment.

Finding 13: Contrary to State law, the District credited interest earnings totaling \$69,718 to the General Fund that were produced by and should have been credited to other funds.

Finding 14: The District did not always timely remove the information technology (IT) user access privileges of users upon separation from the District employment.

Finding 15: District IT security controls related to user authentication need improvement.

BACKGROUND

The Bradford 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 Bradford County. The governing body of the District is the Bradford County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the Executive Officer of the Board. During the 2022-23 fiscal year, the District operated seven elementary, middle, high, and specialized schools; and reported 3,019 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Mental Health Awareness and Assistance Training

Pursuant to State law,¹ the District received a mental health assistance allocation totaling \$236,114 for the 2022-23 fiscal year to establish or expand school-based mental health care services and related training. State law² requires the District to designate a school safety specialist to ensure that District school personnel receive youth mental health awareness and assistance training. Each school safety specialist shall earn, or designate one or more individuals to earn, certification as a youth mental health awareness and assistance trainer.

Our discussion with District personnel and examination of District records disclosed that the District designated a school safety specialist and maintained records to track completion of the required youth mental health awareness and assistance training. However, the District had not established procedures to ensure a sufficient number of certified trainers are designated or contracted to provide the required employee training.

Our audit procedures disclosed that, as of May 3, 2023, 158 (47 percent) of the 339 school personnel³ had not completed the required training. In response to our inquiries, District personnel indicated that training opportunities were limited because of a trainer shortage and staff turnover. Without effective procedures ensuring the availability of certified trainers and completion of required training, a mental health services need may not be timely identified and appropriately met and, absent documentation evidencing such training, the District cannot demonstrate compliance with State law.

Recommendation: The District should enhance procedures to ensure that District school personnel receive required youth mental health awareness and assistance training. Such enhancements should include designation of, or contracts with, a sufficient number of certified trainers to provide school employees the required training.

¹ Section 1011.62(13), Florida Statutes (2022).

² Sections 1006.07(6)(a) and 1012.584, Florida Statutes.

³ The 339 school personnel had the job codes identified by the Florida Department of Education pursuant to State Board of Education Rule 6A-1.094120(4), Florida Administrative Code, and were required to complete the youth mental health awareness and assistance training.

Finding 2: Use of Ad Valorem Tax Proceeds

State law⁴ allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects and maintenance, renovation, and repair of existing school plants. State law⁵ provides a definition of maintenance and repair that specifically excludes custodial and groundskeeping functions.

The District accounts for ad valorem tax levy proceeds and uses in the Capital Projects – Local Capital Improvement Tax Fund (LCI Fund). During the period July 1, 2022, through April 17, 2023, District LCI Fund expenditures totaled \$162,586. To determine the propriety of those expenditures, we examined District records supporting selected LCI Fund expenditures totaling \$60,819, including expenditures that appeared to be related to custodial and groundskeeping services. We found that, contrary to State law, the District expended \$19,088 for various custodial or groundskeeping functions such as pressure washing the football stadium, tree removal and stump grinding, portable relocation, and miscellaneous supplies and equipment needed for those functions.

In response to our inquiry, District personnel stated that, due to personnel changes, they were unaware that State law specifically excluded custodial and groundskeeping functions from the definition of maintenance and repair and agreed that the expenditures were unallowable tax levy uses. Without an appropriate understanding of the restrictions on the use of ad valorem tax proceeds and adequate procedures to ensure that the restrictions are properly observed, there is an increased risk that the District will use the proceeds for unauthorized purposes. A similar finding was noted in our report No. 2021-110.

Recommendation: The District should enhance procedures to ensure that ad valorem tax proceeds are only used for authorized purposes. Such enhancements should include appropriate staff training. The District should also restore tax levy proceeds totaling \$19,088 to the LCI Fund from allowable unrestricted resources.

Finding 3: Monitoring Construction Payments

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to successful completion of GMP contracts, it is important that District personnel verify that payments to CMEs agree with applicable support such as GMP and subcontractor contracts.

The Board entered into a contract, which included two phases with GMPs totaling \$55 million, with a CME for the new Bradford Elementary School Project (Project). From inception of the May 2017 CME

⁴ Section 1011.71, Florida Statutes.

⁵ Section 1013.01(12), Florida Statutes.

contract through June 2023, the District paid the CME a total of \$36 million, including \$34 million for subcontractor services. To evaluate District monitoring controls over CME pay requests and related payments, we inquired of District personnel and requested for examination District records supporting one selected payment for phase II of \$4.3 million, including \$3 million for subcontractor services.

We found that the CME pay request was consistent with the GMP established for the Project Phase II; however, the CME pay request amounts for two subcontractors exceeded the subcontractor invoice amounts by a total of \$462,458, resulting in questioned costs of that amount. District records indicated that a consultant was hired to monitor the construction and payment processes (as discussed in Finding 11). In addition, according to District personnel, the CME indicated that the subcontractor invoices were incorrect due to an oversight. However, District records did not demonstrate that the consultant or District personnel documented verifications that the CME pay request reconciled to the GMP contract or subcontractor contracts and invoices. In addition, although we requested, subcontractor contracts supporting the \$3 million paid to the CME for subcontractor services were not provided.

Absent effective monitoring of CME payment processes, there is an increased risk that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality, that CME pay requests may include inaccurate subcontractor costs, and that the maximum cost savings may not be achieved under the GMP contract process.

Recommendation: To ensure that the District realizes maximum cost savings under a GMP contract, the District should document verification, before CME payments are made, that CME pay requests are consistent with the GMP contract and subcontractor contracts and invoices. In addition, the District should obtain appropriate correspondence from the CME to confirm that the amounts paid for the services provided by the two subcontractors were accurate or seek reimbursement of the \$462,458 paid in excess of the subcontractor invoice amounts.

Finding 4: Subcontractor Selections and Qualifications

State law⁶ establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. Good business practices dictate that the District monitor CME subcontractor selections to ensure that the contracted services were obtained from qualified subcontractors at the lowest cost consistent with acceptable quality and to realize maximum cost savings under the GMP contract.

According to District personnel, they did not attend CME subcontractor bid openings but relied on the District consultant to monitor the CME's subcontractor competitive selection, contract, and license verification processes and believed that the consultant and CME exercised due diligence on behalf of the District. However, although we requested, District records were not provided to demonstrate consultant monitoring or the CME due diligence procedures. While we determined through online licensing searches that the 25 Project specialty subcontractors requiring licensure were properly licensed, our procedures do not substitute for District management's responsibility to implement adequate internal controls over subcontractor services.

⁶ Chapter 489, Florida Statutes.

Without District procedures requiring and ensuring documented verification of the subcontractor competitive selection, contracting, and license processes, the risk increases that subcontractor services may not be provided by qualified service providers at the lowest cost consistent with acceptable quality and the District may not realize maximum cost savings under a GMP contract.

Recommendation: The District should establish procedures to require and document District verification that CMEs select and contract with qualified subcontractors with the lowest bid consistent with acceptable quality.

Finding 5: General Conditions Costs

GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor, supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For contracts that include general conditions costs, appropriate policies and procedures could include, for example:

- Comparisons of proposed general conditions costs with those of similar projects, including similar projects at other school districts.
- Negotiations with the CME to determine a reasonable amount for total budgeted general conditions costs.
- Verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices, and comply with the GMP contract.

The Board contracted with a consultant to negotiate and monitor Project general conditions costs (as discussed in Finding 11), and the GMP contracts for the Project were amended for those costs totaling \$347,275 and \$1,759,660 for Phase I and Phase II, respectively. However, District records did not identify the methodology used and the factors considered to establish the reasonableness of those costs. Additionally, our examination of District records associated with the general conditions costs disclosed that the CME billed labor costs to the District on monthly pay requests and, as support, provided an invoice listing CME employee positions and amounts paid on a monthly basis for labor costs. Although we requested, detailed payroll records, such as signed time sheets and payroll reports specifying employee compensation rates, were not provided to demonstrate any District monitoring efforts.

In response to our inquiries, District personnel indicated that there were no policies or procedures established to negotiate, monitor, or document the reasonableness of general conditions costs and the District relied on the consultant and the CME to negotiate and monitor those costs. Notwithstanding, absent effective negotiation of general conditions costs and monitoring of detailed documentation, at least on a sample or test basis, to support CME general conditions costs, the District may be limited in its ability to determine the propriety of CME payment requests for general conditions costs or to realize cost savings associated with general conditions costs in GMP contracts.

Recommendation: The District should establish effective procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such procedures should require documentation of the methodology used and factors considered in negotiating

general conditions costs. In addition, the District should maintain records that evidence the receipt and review of sufficiently detailed documentation, at least on a sample or test basis, supporting the general conditions costs included in CME pay requests.

Finding 6: Adult General Education Classes

State law⁷ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and General Appropriations Act⁸ proviso language requires each district to report enrollment for adult general education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.⁹ SBE rules¹⁰ require the District to collect and maintain enrollment and attendance information on students based on minimum enrollment requirements for funding and mandatory withdrawal procedures for student non-attendance. FDOE procedures provide that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in class and the withdrawal date or end-of-class date, whichever is sooner.

The District reported 2,464 instructional contact hours provided to 28 students enrolled in 9 classes during the Fall 2022 Semester. As part of our audit, we examined District records for 1,749 hours reported for 17 students enrolled in 7 adult general education classes. We found that instructional contact hours for 6 students were over reported by 143 hours (ranging from 9 to 57 hours) and instructional contact hours for 5 students were under reported by 36 hours (ranging from 3 to 18 hours).

In response to our inquiries, District personnel indicated that the misreported hours occurred primarily due to attendance input errors and miscalculated attendance days. Since adult general education funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data.

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

Finding 7: Journal Entries

Accounting (journal) entries are used as necessary to make adjustments to the general ledger balances for asset, liability, revenue, and expenditure and expense accounts, and occasionally entries are necessary to correct previous accounting errors. Management is responsible for establishing a system of internal controls over financial recordkeeping that provides an appropriate separation of duties for timely and accurately recording journal entries and for supervisory review and approval of those entries.

From July 2022 through May 2023, a total of 119 journal entries totaling \$85.6 million were recorded to adjust District accounting records. Our examination of District records and inquiries of District personnel

⁷ Section 1004.02(3), Florida Statutes.

⁸ Chapter 2022-156, Laws of Florida, Specific Appropriation 118.

⁹ The FDOE Technical Assistance Paper: *Adult General Education Instructional Hours Reporting Procedures*, Dated September 2020.

¹⁰ SBE Rule 6A-10.0381(5), Florida Administrative Code.

disclosed that certain transactions were either initially recorded wrong in, or omitted from, the general ledger and the errors were not detected and corrected within the following month. As a result, correcting journal entries and bank reconciliations (as discussed in Finding 8) were delayed. In addition, contrary to an appropriate separation of duties, the Director of Finance prepared, reviewed, and approved journal entries in the accounting system. In response to our inquiries, District personnel indicated that the journal entry deficiencies occurred because District experienced a shortage of personnel with appropriate knowledge of the journal entry process.

As part of our audit procedures, we examined District records supporting 15 selected journal entries during the 2022-23 fiscal year and determined the entries were valid and appropriate. However, our procedures do not substitute for management's responsibility to implement adequate internal controls over journal entries. Absent such controls, there is an increased risk that errors or fraud, should they occur, may not be timely detected and corrected.

Recommendation: The District should enhance procedures to ensure that journal entries are accurately and timely recorded in the general ledger. Such enhancements should include appropriate training for journal entry preparers and independent review and approval of the journal entries.

Finding 8: Bank Reconciliations

State law¹¹ requires each school district to establish and maintain internal controls designed to, among other things, detect fraud, ensure reliability of financial records and reports, and safeguard assets. Effective internal controls require that reconciliations of bank account balances to general ledger accounts be performed on a timely, routine basis (within 30 days after month end) and reviewed by supervisory personnel. Timely performed bank account reconciliations provide for prompt detection and correction of unrecorded and improperly recorded cash transactions or other errors and provide reasonable assurance that assets agree with recorded amounts.

The District maintained three cash-in-bank accounts, including the general, payroll, and food service accounts during the 2022-23 fiscal year and, at June 30, 2023, the general ledger account balances totaled \$15.4 million. The Board contracted with an individual to prepare the bank account reconciliations and the Director of Finance documented approval of the bank reconciliations.

To evaluate the propriety and timeliness of the reconciliations for the period July 2022 through February 2023, we examined District records supporting the 8 general and 8 payroll bank account reconciliations. While the bank account reconciliations were properly supported, the reconciliations were not completed until 61 to 132 days or an average of 89 days after month end. In response to our inquiries, District personnel indicated that the reconciliations were untimely primarily because journal entries were necessary to correct certain transactions that were either initially recorded wrong in, or omitted from, the general ledger in previous months, which delayed completion of the reconciliations.

Absent timely prepared bank reconciliations, there is an increased risk that any cash transaction errors or fraud that may occur will not be timely detected. Additionally, without such procedures, the reliability

¹¹ Section 1010.01(5), Florida Statutes.

of the general ledger financial information throughout the year and the Board's ability to effectively monitor the District's financial position is diminished.

Recommendation: The District should establish procedures to ensure that monthly reconciliations of bank account balances to the general ledger and financial statement account balances are timely performed with reconciling items promptly identified, thoroughly investigated, adequately documented, and resolved.

Finding 9: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to the District budget and related information. Pursuant to State law,¹² the District must post on its Web site graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years, and the Web site must also include a link to the Web-based fiscal transparency tool developed by the FDOE pursuant to State law.¹³ The District is also required to post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public.

At the time of our review on April 18, 2023, although the District had posted to its Web site all required graphical representations, a link to the Web-based fiscal transparency tool developed by the FDOE, and its proposed/tentative budget for the 2022-23 fiscal year, the District had not posted the official budget for the 2022-23 fiscal year. In response to our inquiries, District personnel indicated that, due to miscommunication between the District information technology (IT) and Finance personnel, the official budget was not posted. On May 16, 2023, the District updated the Web site to include the official budget.

Providing the required budget and transparency information on the District's Web site enhances citizen involvement and the ability to analyze, monitor, and evaluate budget outcomes. A similar finding was noted in our report No. 2021-110.

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

Finding 10: Tangible Personal Property

State law,¹⁴ Florida Department of Financial Services (DFS) rules,¹⁵ and Board policies¹⁶ require the District to maintain adequate records of tangible personal property (TPP), such as furniture, fixtures and equipment and motor vehicles, in its custody. Those provisions also require that a complete physical inventory be taken annually, the results of the physical inventory be compared to the property records, and any differences be researched and resolved. All TPP items found during the inventory must be included in the property records, which must identify the inventory date and individual attesting to the

¹² Section 1011.035(2), Florida Statutes.

¹³ Section 1010.20, Florida Statutes.

¹⁴ Chapter 274, Florida Statutes.

¹⁵ DFS Rules Chapter 69I-73, Florida Administrative Code.

¹⁶ Board policy 7.08, *Inventories and Property Records*.

item's existence. Items not located during the physical inventory must be investigated and, if the investigation determines that any item was stolen, the District is required to file a report with the appropriate law enforcement agency describing the missing item and the circumstances surrounding its disappearance.

The District reported TPP amounts totaling \$10 million at June 30, 2023; however, although we requested, TPP records were not provided to identify all TPP in District custody. In addition, as of July 28, 2023, the District had not completed a physical inventory of all District-owned TPP since the 2019-20 fiscal year. In response to our inquiry, District personnel indicated that no one was delegated responsibility for maintaining TPP records or completing the physical inventory due to staff turnover and shortages.

Absent appropriate TPP records and effective annual physical inventory procedures, the District cannot demonstrate compliance with State law, DFS rules, and Board policies; accountability over TPP is diminished; and there is an increased risk that any loss or theft of District property will not be timely detected, reported to the appropriate parties, and correctly reflected in District property and accounting records. A similar finding was noted in our report No. 2021-110.

Recommendation: The District should enhance procedures to provide proper accountability for District TPP items. Such enhancements should include the maintenance of appropriate TPP records that identify all TPP in District custody and documented completion of a physical inventory of TPP each year with thorough investigation of items not located during the physical inventory. Items determined to be stolen should be promptly reported to the appropriate law enforcement agency and to the Board for appropriate disposition.

Finding 11: Contracted Services

Effective management for contracted services requires that records be maintained to evidence reconciliations of contractor service billings and documented receipt of contract deliverables to contract terms and conditions before payments are made. The District has designed and implemented internal controls that generally ensure contract payments are consistent with applicable Board policies and contract provisions.

For the period July 1, 2022, through April 17, 2023, payments for contracted services totaled \$1.2 million. To evaluate District controls over these services and the related payments, we examined District records supporting 25 selected payments totaling \$432,486 and found that District controls over school security services and construction monitoring could be enhanced. Specifically, the Board approved contracts with:

- The Bradford County Sheriff's Office to provide school resource officer and other security services for \$78,250 each quarter. Our examination of District records disclosed that time records were maintained to confirm receipt of the security services contract deliverables. However, we found that the District paid a total of \$163,664 in January 2023 for the first two quarters of the 2022-23 fiscal year, resulting in an overpayment of \$7,164. We expanded our procedures and found that the District also overpaid the Sheriff's Office \$14,328 for the 2021-22 fiscal year. According to District personnel, the District relied upon Sheriff's Office invoices to be correct, and the overpayments were due to oversights. Although the District decided to take no action for the 2021-22 fiscal year overpayment, subsequent to our inquiry, the final payment to the Sheriff's Office for the 2022-23 fiscal year was reduced by the \$7,164 overpaid.

- A consultant to provide various services for the new Bradford Elementary School Project, such as general conditions costs negotiations, pay application reviews, and services monitoring change orders, contingencies, and subcontractor qualifications, contracts, and payments. The contract required payment for services at an hourly rate and mileage reimbursements at the current Internal Revenue Service rate. Through May 2023, the District had paid \$84,780 to the consultant.

According to District records, consultant invoices were submitted to the District office summarizing the consultant work hours and miles driven and the Superintendent's Secretary approved the payments. However, although we requested, District records were not provided to demonstrate any consultant deliverables. In response to our inquiries, District personnel indicated that District procedures had not been established to monitor the consultant's services and that they relied on the consultant to perform the required services.

District reliance on contractor invoices and procedures provide limited assurance that the services were invoiced and received as expected. Absent effective contract management controls reconciling contractor service billings and documented receipt of contract deliverables to contract terms prior to payment, there is an increased risk that the District may overpay for services, the services may not be received consistent with Board expectations, and any overpayments that occur may not be timely detected or recovered. A similar finding was noted in our report No. 2021-110.

Recommendation: The District should establish procedures to ensure and document, prior to payment, reconciliations of contractor service billings and documented receipt of contract deliverables to contract terms.

Finding 12: Health Insurance

Pursuant to State law¹⁷ and Board-adopted collective bargaining agreements for the 2022-23 fiscal year, the District provided a health insurance plan for applicable employees, retirees, and dependents. For that fiscal year, District records indicated that the health insurance provider received \$2.5 million for the participating employees, retirees, and dependents.¹⁸

Board policies¹⁹ require employees to pay the contribution for any dependents who are included in their health insurance premium and allow retirees and their dependents to acquire and participate in the health insurance plan. To ensure that only eligible employees or retirees are allowed to participate in District health insurance plan at appropriate rates, District personnel should verify initial enrollees are or were an employee. In addition, it is important for the District to periodically reconcile the plan participants and amounts listed on the plan provider billings and related records to District payroll records and retiree contributions and promptly remove ineligible individuals from participation. Also, to ensure that only eligible dependents participate in the plan, District procedures to obtain and verify documentation supporting dependent initial and continued eligibility are necessary.

Enrollment in plan participation may occur upon initial employment, during open enrollment periods, and for qualifying life events such as marriage and birth or adoption of dependents and removal from plan

¹⁷ Section 112.0801, Florida Statutes.

¹⁸ For the 2022-23 fiscal year, there were a total of 239 employees and 13 retirees who participated in the District health insurance plan. The number of participating dependents, which included spouses and qualifying children, could not be readily quantified.

¹⁹ Board Policy 6.321, *Health Insurance Premiums*.

participation may occur during open enrollment and for qualifying life events. The District relies on an insurance administration management company to ensure plan participation changes are properly submitted to and timely made by the insurance provider.

According to District personnel, they verify that employees who initially enroll into the insurance plan are currently employed and that retiree enrollees were previously employed. In April 2015, the District conducted a comprehensive eligibility verification of dependent health insurance participants and, since that date, appropriate evidence of life events, such as marriage and birth certificates, are required to enroll dependents in the plan.

The District transitioned to another health insurance administration management company and, in July 2022, started utilizing the health insurance administrator's database. For life events, employees may upload documents directly into the database and, when an employee separates from District employment, the District IT system was designed to automatically notify the health insurance administrator the date to discontinue the individual's health insurance with the insurance provider. However, during the 2022-23 fiscal year, there was no requirement to upload documents during enrollment to evidence dependent eligibility. In addition, since April 2015, the District had not established procedures to consistently conduct and document periodic verifications to ensure that dependents of health insurance plan participants continued to be eligible for plan services.

As part of our audit, in May 2023 we requested for examination District records to support District eligibility verifications for 59 selected dependents of 30 District employees and retirees. However, District eligibility verifications for 11 of the 59 dependents were not provided. In response to our inquiries, District personnel indicated that the missing verifications were due to District staff turnover and transition to the new District administration management company, which did not require dependent eligibility to be verified.

To determine whether the District paid health insurance premiums in appropriate amounts, we compared, for the period October 2022 through May 2023, plan provider billings totaling \$315,035 to the District payroll and other records, such as premium payments received from employees, retirees, and the Florida Retirement System, for 30 selected District employees, dependents of 18 employees, and the 13 retirees. We found that the District paid excessive or inappropriate health insurance premiums totaling:

- \$18,222 for 18 employees, including part of the costs to supplement dependent health insurance premiums. For example, contrary to Board policies, the District paid dependent health insurance costs totaling \$7,920 for 3 employees mainly because District personnel did not always understand and apply Board policy insurance restrictions.
- \$6,157 for insurance for 3 employees due to deduction code input errors.
- \$3,857 for insurance for an ineligible retiree because plan provider billings were not reconciled to District records documenting receipt of retiree and Florida Retirement System premium payments for 5 months after the retiree canceled the District insurance and enrolled in Medicare.

Additionally, for the 24 employees who had District health insurance and separated from District employment during the period July 1, 2022, through May 24, 2023, we requested for examination District records supporting prompt insurance cancellations. However, records were not readily available and, from our examination of the limited records eventually provided, we found that at least 5 of the former employees still had District health insurance. In response to our inquiry, District personnel indicated that,

due to flaws in the automatic notification to the health insurance administrator, the District mistakenly paid both the employee and employer portions of the premiums totaling \$6,908 for the 5 former employees. Subsequent to our procedures, as of October 2023, the District canceled the insurance for the 5 former employees, which had continued for 1 to 6 months after the individual's insurance eligibility expired. District personnel provided documentation for refunds received totaling \$4,009 and indicated that they were working with the health insurance administrator and insurance provider to obtain the remaining \$2,899.

Absent dependent eligibility verifications, prompt removal of ineligible plan participants, and periodic reconciliations of plan provider billings and District payroll records, there is an increased risk that individuals receiving insurance benefits may not be eligible for those benefits, increasing premium costs paid by the District, District employees, and the District participating retirees. A similar finding was noted in our report No. 2021-110.

Recommendation: The District should enhance procedures to ensure that dependents participating in the District health insurance plan are eligible, insurance contributions are accurately paid, and the insurance of employees who separate from District employment is promptly canceled. Such enhancements should include procedures to document:

- **Verifications of the initial eligibility of all dependents enrolled into District health insurance plan.**
- **Periodic verifications to confirm that dependent participants in the plan continue to be eligible.**
- **Periodic reconciliations of plan provider billings to District payroll records to ensure that Board contributions for health insurance premiums are for eligible participants and that the contributions and employee-paid premiums are consistent with the Board-approved amounts. When District procedures identify ineligible plan participants, the District should promptly notify the provider to remove the individuals from plan participation.**

Finding 13: Interest Earnings

The District invested available cash resources through a pooled account during the 2022-23 fiscal year. Pursuant to State law,²⁰ the District is required to credit interest or profits on investments to the specific budgeted fund that produced the earnings.

Our audit procedures disclosed that the District had not established procedures to allocate interest earnings to the fund that produced the earnings. As a result, the District credited to the General Fund interest earnings totaling \$69,718 that was produced by and should have been credited to other funds. The applicable interest earnings amounts and other funds that should have been credited were:

- \$30,768 to the Capital Projects – Public Education Capital Outlay Fund.
- \$19,374 to the Capital Projects – LCI Fund.
- \$9,255 to the Special Revenue – Food Service Fund.
- \$10,321 to various other funds.

²⁰ Section 1011.09(1), Florida Statutes.

In response to our inquiries, District personnel indicated that the interest earnings were not always properly credited due to a lack of procedures and supervisory oversight. Absent effective procedures and oversight to ensure that interest earnings are appropriately allocated, there is an increased risk that the District will not comply with State law and interest earnings will be used for purposes that do not align with the restrictions governing the earnings.

Recommendation: The District should establish procedures to comply with State law by properly crediting interest earnings to the funds that produced the earnings. Such procedures should include appropriate effective supervisory oversight to ensure that interest is credited to the appropriate fund. In addition, the District should take action to properly credit the 2022-23 fiscal year interest earnings totaling \$69,718 to the funds that produced the earnings.

Finding 14: Information Technology – Timely Deactivation of User Access Privileges

Effective management of IT user access privileges includes the timely deactivation of IT access privileges when an employee separates from employment. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

According to District procedures, users authenticate access to the District network through the active directory (AD). District procedures also provide access to the enterprise resource planning (ERP) system,²¹ the Web, the Northeast Florida Education Consortium (Consortium), and a mobile application. When an employee separates from District employment, the Human Resource (HR) Department inputs the separation date. A termination report is scheduled to run daily and auto e-mail alerts are sent to the District security administrators to manually deactivate user access privileges by disabling the user's AD account and remove the user access privileges from the ERP system.

During the period of July 1, 2022, through May 24, 2023, 70 employees separated from District employment. As part of our procedures, we compared the employment separation dates of the 70 individuals to the dates that their access was deactivated in the District finance and HR applications. During our comparison, we noted another employee and a contracted worker who separated from District employment in 2021 but still appeared to have network access privileges.

We found that, of the 72 individuals, 2 former District employees²² and 1 contracted worker²³ retained their access privileges 581, 35, and 14 days after their respective separation dates. In response to our inquiries, District personnel indicated that the access privileges were not timely deactivated because HR Department personnel did not always input employment separation dates timely in the employee profile and because of employee oversights.

Although District controls generally ensure that employees have appropriate access to perform their duties and our procedures did not identify any errors or fraud as a result of the untimely deactivations, when IT user access privileges are not promptly deactivated there is an increased risk that the privileges may be misused by former employees or others.

²¹ The ERP system includes the business management information system (i.e., finance and human resource applications) and the student information system.

²² A former physical care aide at Starke Elementary School and the former assistant superintendent's secretary.

²³ The worker assisted with accounting and finance transactions and annual financial report preparation.

Recommendation: The District should enhance efforts to ensure that access privileges are promptly deactivated upon an IT user’s separation from District employment.

Finding 15: IT Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. Our audit procedures disclosed that certain District security controls related to user authentication need improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues.

Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

Recommendation: District management should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2021-110 except as noted in Findings 2, 9, 10, 11, and 12 and shown in Table 1.

**Table 1
Findings Also Noted
in the Previous Audit Report**

2019-20 Fiscal Year Operational Audit Report No. 2021-110, Finding	
Finding	
2	7
9	9
10	8
11	2
12	6

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2023 through October 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions

based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on selected Bradford County District School Board (District) processes and administrative activities. For those areas, our audit objectives were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2021-110.
- 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 areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

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

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the 2022-23 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed applicable laws, rules, Board policies, District procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities and the related requirements.
- Reviewed Board information technology (IT) policies and District procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected user access privileges to District enterprise resource planning system finance and human resources (HR) applications to determine the appropriateness and necessity of the access privileges based on employee job duties and user account functions and whether the access privileges prevented the performance of incompatible duties. Specifically, we evaluated the appropriateness of the access privileges to selected critical application functions for:
 - The 42 users who had update access privileges to the finance application.
 - The 9 users who had update access privileges to the HR application.
- Evaluated District procedures to prohibit former employee access to electronic data files. We also reviewed selected user access privileges for the 70 employees who separated from District employment during the period July 1, 2022, through May 24, 2023, and 2 employees who separated from District employment during the 2021-22 fiscal year to determine whether access privileges were timely deactivated.
- Determined whether the District had a comprehensive IT disaster recovery plan in place that was designed properly, operating effectively, and had been recently tested.
- Examined selected network security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Inquired whether the District made any expenditures or entered into any contracts under the authority granted by a state of emergency declared or renewed during the audit period.
- From the population of expenditures totaling \$30.1 million during the period July 1, 2022, through April 17, 2023, from nonvoted capital outlay tax levy proceeds (\$162,586), Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures totaling \$25.6 million (including \$60,819 from tax levy proceeds) to determine District compliance with the restrictions imposed on the use of these resources, such as compliance with Section 1011.71(2), Florida Statutes.
- Analyzed workforce development funds expenditures totaling \$610,018 for the period July 1, 2022, through April 17, 2023, to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 35 industry certifications eligible for 2022-23 fiscal year performance funding, examined 18 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined District records supporting 1,749 reported contact hours for 17 selected students from the population of 2,464 contact hours reported for 28 adult general education instructional

students during the Fall 2022 Semester to determine whether the District reported the instructional contact hours in accordance with State Board of Education (SBE) Rule 6A-10.0381, Florida Administrative Code.

- Examined the District Web site to determine whether the 2022-23 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the District Web site contained, for each public school within the District and for the District, the required graphical representations of summary financial efficiency data and fiscal trend information for the previous 3 years, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE).
- Examined District records supporting 16 selected monthly bank account reconciliations from the 24 reconciliations for the period July 2022 through February 2023, to determine whether the reconciliations were timely performed and approved.
- Examined District records and evaluated District interest allocation procedures during the audit period for the pooled cash investment account to determine whether interest earnings were properly credited to the specific fund that produced the earnings.
- Requested records supporting, and made inquiry to District personnel regarding, the District's annual tangible personal property physical inventory during the audit period to determine whether the inventory results were reconciled to the property records, appropriate follow-up was made for any missing items, and law enforcement was timely notified for any items that could not be located and considered stolen. We also inquired about and examined records supporting the District's most recent physical inventory, which occurred before the audit period.
- Reviewed Board policies to determine whether the policies address identifying and inventorying attractive items pursuant to Florida Department of Financial Services Rules, Chapter 69I-73, Florida Administrative Code.
- From the compensation payments totaling \$17.9 million to 677 employees for the period July 1, 2022, through April 17, 2023, examined District records supporting compensation payments totaling \$38,657 to 30 selected employees to determine whether the rate of pay complied with the Board-approved salary schedule and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 27 school administrators compensated a total of \$2 million during the audit period, examined documentation for 15 selected employees who were paid a total of \$1.2 million to determine whether the District had developed adequate performance assessment procedures for school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of compensation was based on performance in accordance with Section 1012.22(1)(c)4. and 5., Florida Statutes.
- Examined District records for the audit period supporting the teacher salary increase allocation payments received pursuant to Chapter 2022-156, Laws of Florida, Specific Appropriation 86, totaling \$736,513 and records supporting related payments totaling the same amount made to 206 instructional personnel to determine whether the District submitted required reports (salary distribution plan and expenditure report) to the FDOE and used the funds in compliance with Section 1011.62(14), Florida Statutes (2022).
- Examined District records for the audit period for 30 employees and 21 contractor workers selected from the population of 677 employees and 48 contractor workers to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Evaluated Board policies and District procedures addressing the ethical conduct of school personnel, including reporting responsibilities related to employee misconduct which affects the health, safety, or welfare of a student, and the investigation responsibilities for all reports of

alleged misconduct to determine whether those policies and procedures were effective and sufficient to ensure compliance with Section 1001.42(6) and (7)(b)3., Florida Statutes.

- Evaluated Board policies and District procedures to ensure that health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate based on Board policies. In addition, we determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions. Also, to evaluate the propriety of the health insurance premium payments totaling \$2.5 million for the 252 participating employees and retirees and their participating dependents for the audit period, we examined District records supporting the premiums totaling \$315,035 for the period October 2022 through May 2023 for certain insurance participants (30 selected employees, the 13 retirees, and the dependents of 18 selected employees).
- For the one significant construction project with contracts totaling \$55 million during the audit period, examined related documentation to determine compliance with Board policies and District procedures and applicable provisions of State law. Specifically, we examined District records to determine whether:
 - The construction manager was properly selected pursuant to Section 255.103, Florida Statutes.
 - District personnel properly monitored subcontractor competitive selections and licensures.
 - Appropriate Board policies and District procedures addressing the negotiation and monitoring of general conditions costs had been established.
 - District records supporting selected payments totaling \$4.3 million were sufficient and District procedures for monitoring payments were adequate.
 - District records supporting construction management fees totaling \$1.9 million through April 2023 were properly calculated and supported.
- Examined District records to determine whether the Board had adopted appropriate school safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07 and 1006.12, Florida Statutes; and Section 1011.62(12), Florida Statutes (2022).
- Examined District records to determine whether the Board had adopted appropriate mental health awareness policies and the District had implemented procedures to promote the health, safety, and welfare of students and ensure compliance with Section 1012.584, Florida Statutes; Section 1011.62(13), Florida Statutes (2022); and SBE Rule 6A-1.094124, Florida Administrative Code.
- From the population of non-compensation expenditures totaling \$37.9 million for the period July 1, 2022, through April 17, 2023, examined documentation relating to 30 selected expenditures totaling \$3.1 million to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, SBE rules, contract terms, and Board policies; and applicable vendors were properly selected.
- From the population of payments totaling \$1.2 million during the period July 1, 2022, through April 17, 2023, related to 72 contracts for services, examined supporting documentation, including the contract documents, for 25 selected payments totaling \$432,486 related to 16 contracts to determine whether:
 - The District complied with applicable competitive selection requirements (e.g., SBE Rule 6A-1.012, Florida Administrative Code).

- The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
- District records evidenced that services were satisfactorily received and conformed to contract terms before payment.
- The payments complied with contract provisions.
- From the population of Safe Schools and Mental Health allocation expenditures totaling \$326,369 for the period July 1, 2022, through April 17, 2023, examined documentation supporting 13 selected expenditures totaling \$321,161 to determine District compliance with the restrictions imposed on the use of these resources.
- From the 119 journal entries totaling \$85.6 million during the period July 2022 through May 2023, examined District records for 15 selected journal entries to determine whether journal entries were reasonable, appropriately supported, and independently reviewed and approved.
- 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

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each school district on a periodic basis. 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



Bradford County School District

501 W. Washington Street
Starke, Florida 32091
(904) 966-6800

November 30, 2023

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

Dear Ms. Norman:

Below is the Bradford County School District's response to the preliminary and tentative audit findings for the 2022-23 Operational audit. The District's senior leadership team is committed to the implementation of recommendations to increase accountability and to promote efficient operations throughout the district.

Finding #1- As of May 3, 2023, 47 percent of the district school employees had not completed the required youth mental health awareness and assistance training.

As of July 27, 2023, 85% of staff members had completed the required Youth Mental Health Awareness Training calculated upon the job codes/categories provided by DOE. Training continues to be provided at periodic intervals during the school year, as well as during the summer, to provide multiple opportunities for staff members to complete the required training.

Finding #2- Contrary to state law, the district expended ad valorem tax levy proceeds totaling \$19,088 for custodial or groundskeeping functions. A similar finding was noted in report No. 2021-110.

Training will be provided to the new Director of Finance on allowable uses of Local Capital Improvement (LCI) Fund funds. In addition, the \$19,088 will be restored to the LCI Fund from unrestricted resources.

Finding #3- District controls over monitoring construction management entity (CME) payments could be improved.

We concur with the finding. The District did attempt to contract with an accountant who had experience in monitoring construction management contracts, payments, and general conditions. Unfortunately, we were unable to finalize a contract. Each application for payment was reviewed line by line by the Director of Operations and the consultant hired to oversee the construction of the new school. Currently, the District is recruiting for an accountant. The hiring of the position will provide

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additional resources to the Finance department in order for the Director of Finance to be more directly involved in procurement and contract management for all departments.

Finding #4- District records did not demonstrate verification that CME's competitively selected qualified contractors.

We concur with the finding. All of the scopes of work were sent out to bid from the CME to subcontractors. This project was actually bid twice as the original bids received were well over the threshold of being able to negotiate a guaranteed maximum price (GMP) contract. Based on the bids received the first time, the District had to solicit additional funding from the State. The second round of bidding did not generate any more interest, nor did it result in a project savings. The District had to eliminate the gymnasium and the architect had to redesign the plan in order to meet a GMP based on the bids.

In a normal season, the CME would have received interest from numerous subcontractors for each scope of work. However, with material shortages on a national scale, material costs being at a record high, the high demand for construction work, and the lack of a labor force, the CME, the District had to rely on the bids received. Again, the District is in the process of hiring an accountant. The hiring of the position will provide additional resources to the Finance department in order for the Director of Finance to be more directly involved in procurement and contract management for all departments.

Finding #5- District procedures for negotiating, monitoring, and documenting the reasonableness of CME general conditions costs need improvement.

We concur with the finding. The District will implement procedures to improve negotiating, monitoring, and documenting the reasonableness of CME general conditions costs in the future.

Finding #6- District procedures need strengthening to ensure that instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

We concur with the finding. We have implemented new procedures to ensure proper reporting.

The Fall 2022 data referenced in this audit finding was corrected and resubmitted to FDOE during the end of year update window between July 10-27, 2023.

Finding #7- District controls over journal entries need to be enhanced.

We concur with the finding. With the addition of the accountant position, internal controls will improve. The accountant will enter journal entries and the Director of Finance will approve.

Finding #8- District records did not always evidence that bank account reconciliations were promptly completed.

The District has contracted with an outside accountant to promptly reconcile bank account transactions until a permanent accountant can be hired.

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Finding #9- The District did not comply with State law by posting on its website the required official budget for the 2022-23 fiscal year. A similar finding was noted in the report No. 2021-110.

We concur with the finding. The Information Technology (IT) department has located and uploaded the current and previous years' budgets to the District website under the "Finance Documents" tab. The new IT Director will now assume responsibility for this task upon approval of the budget.

Finding #10- As of July 28, 2023, the District had not completed a physical inventory of all district-owned tangible personal property since the 2019-2020 school year.

The School Board is in the rulemaking process to make necessary changes to policies related to tangible personal property as the district thresholds listed in policy did not coincide with the State or federal thresholds. In addition, the District is in the process of recruiting for a new accountant. Under the job responsibilities for this position are fixed assets and tangible personal property inventory. In the meantime, the IT Director and the Director of Operations will be responsible for inventory in this area.

Finding #11- District controls over payments for contracted services could be enhanced. A similar finding was noted in report No. 2021-110.

We concur with the finding. New Director of Finance will develop procedures, with the responsible department head, to ensure contracted services billings are reconciled prior to payment and document receipt of contract deliverables to contract terms.

Finding #12- As similarly noted in report No. 2021-110, District records did not always demonstrate that the District documented the eligibility of dependents participating in the District health insurance plan, accurately paid contributions, or promptly canceled the insurance of employees who separated from District employment.

We concur with the finding. Human Resources (HR) has implemented the procedure that all employees electing benefits for dependents are required to provide documentation (i.e. birth certificates, marriage certificates) to be eligible to participate. HR has implemented a health insurance monthly reconciliation process between the carrier bill and the deductions/benefits in Skyward to assist in ensuring accurate payments for insurance premiums. The insurance agent is then notified of all terminations through Plansource and an email from HR personnel to provide multiple notifications of separations.

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Finding #13- Contrary to state law, the District credited interest earnings totaling \$69,718 to the General Fund that were produced by and should have been credited to other funds.

We concur with the finding. We have corrected the allocation for the 2022/23 fiscal year and will implement procedures to ensure proper allocation in the future.

Finding #14- The District did not always timely remove the information technology (IT) user access privileges of users upon separation from the District employment.

We concur with the finding. Information Technology has implemented several processes for Personnel Action Form handling and employee offboarding. In collaboration with the Human Resources Department, a new workflow has been established where the IT department receives electronic notification of a separation from service. IT also implemented a mandatory 30-day auto-disable for active directory inactivity. IT is also implementing a new process that will automatically report, on a monthly basis, the status of all Active Directory users for verification of account status.

Finding #15- District IT security controls related to user authentication need improvement.

We concur with the finding. The District has implemented procedures to strengthen user authentication.

We appreciate the professionalism and courtesy of the auditing staff during the audit process. Thank you for the opportunity for the District to provide responses to the audit findings. If you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Will C. Hartley". The signature is written in a cursive style.

Will C. Hartley
Superintendent

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