

OFFICE OF INSPECTOR GENERAL

2017 ANNUAL REPORT

July 1, 2016 – June 30, 2017

www.palmbeachschools.org/inspectorgeneral/



K. Lung Chiu, CPA, CIG
Inspector General

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ROBERT M. AVOSSA, ED.D.,
SUPERINTENDENT

To: Honorable Chair and School Board Members
Superintendent of Schools

cc: Audit Committee Members

From: Lung Chiu, Inspector General
Noah Silver, Chair of Audit Committee

Date: August 30, 2017

Re: 2017 ANNUAL REPORT

We are pleased to submit the Office of Inspector General's (OIG) Annual Report. This report summarizes OIG's activities and accomplishments for the twelve-month period from July 1, 2016 through June 30, 2017. This document further supplements the March 2017 Semi-Annual Report.

School Board Policies 1.091 and 1.092 require the Inspector General and Audit Committee to submit an annual report to the School Board and Superintendent. Audits, investigations, and other related work in this report represent the OIG's continuing commitment to promoting accountability, transparency, efficiency, and effectiveness through our findings and recommendations for corrective actions. As we perform these functions, we are committed to working cooperatively with all District administrators and staff while maintaining our objectivity and independence.

The OIG remains committed to promoting a culture of accountability, transparency, integrity and collaboration. On behalf of the all OIG staff and the Audit Committee, we would like to thank the School Board for its continued support of the OIG.



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SUMMARY of PERFORMANCE

For the Period July 1, 2016 – June 30, 2017



Investigations Carried Over from FY 15-16: **23**
Investigations Opened: **39**
Investigations Closed: **27**
Matters Forwarded to Administrative Offices: **144**
Matters Submitted to Outside Agency(ies): **3**
Partial Referrals: **5**



Performance Audit Reports Issued: **9**
School Audits Completed: **175**
Audit Findings: **601**
Audit Recommendations Issued: **661**
Total Reports with Financial Impact: **7**
Questioned Costs/Expenses: **\$5,582,253**
Financial Impact of Audit Reports: **\$6,237,142**



OIG HOTLINE AND OTHER COMPLAINTS

Hotline Calls: **122**
Emails: **25**
Standard Mail to OIG: **12**
In Person: **4**
Calls to OIG: **10**
Referred from Another Agency or Department: **13**

INVESTIGATIONS

Organizational Functions and Structure

Investigations are conducted by the Investigations Unit of the Office of Inspector General (OIG). They are conducted in accordance with the quality and quantitative standards as set forth in the *Association of Inspectors General Principals and Standards for Offices of Inspector General*.

The Investigations Unit works to deter, detect, and investigate fraud, waste, abuse, or other misconduct adversely impacting the School District. The unit receives inquiries or complaints through a variety of means: the OIG Hotline, emails, telephone calls, letters, in person statements, Florida Department of Education, or other entities.

All complaints are reviewed to determine whether the complaints fall within the jurisdiction of OIG or should be referred to another District office. For all matters referred to other District offices, the OIG obtains periodic updates on the status of the complaints.

The Investigations Unit consists of the Director of Investigations, a Senior Investigator II, a Senior Investigator I, an Investigator I, and the Complaint Intake Coordinator. See Appendix for the OIG organizational chart.

Complaints submitted to, or filed with, the Inspector General may include a wide range of alleged wrongdoing and may include allegations of more than one type of misconduct committed by an individual, District office, or District vendor or contractor. Even as an investigation proceeds, there may be new allegations of wrongdoing which come to light. Other individuals, District offices or District vendors or contractors may become a part of the investigation. Pursuant to Board Policy 1.092, wrongdoings that fall under the jurisdiction of the Inspector General include:

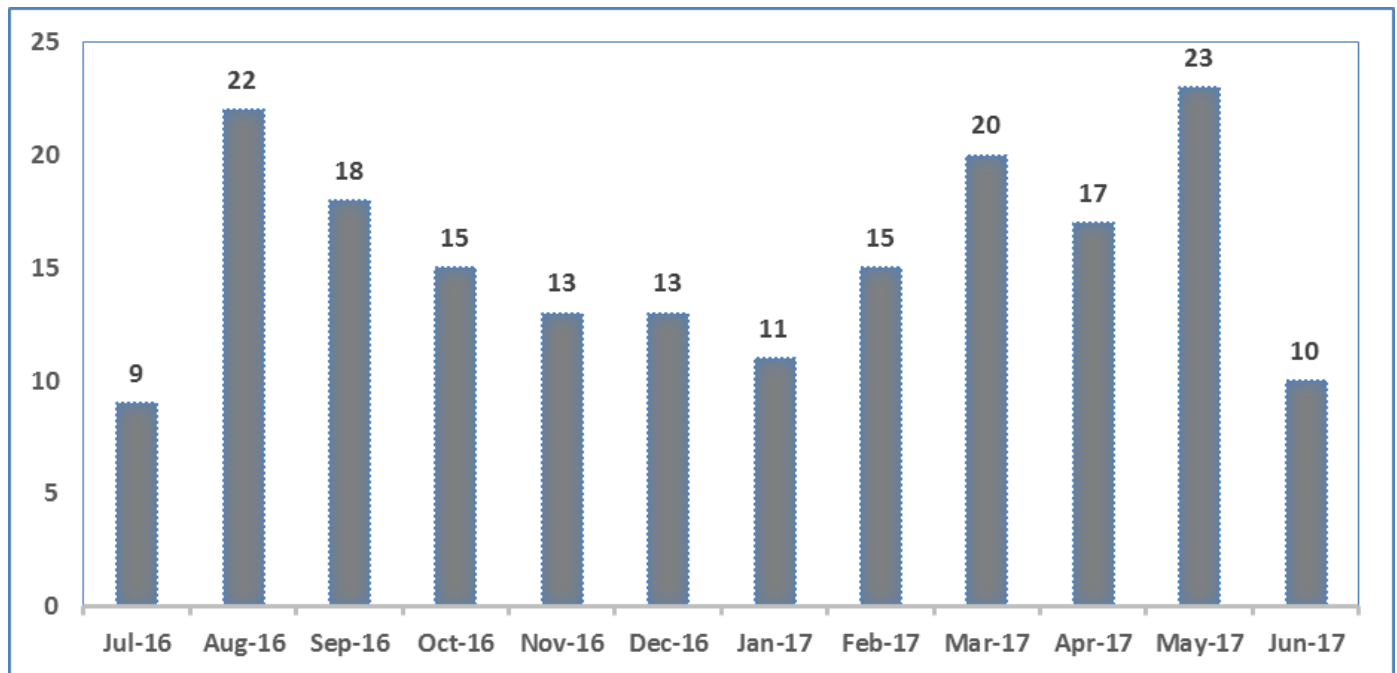


Statistical Summary for July 1, 2016 through June 30, 2017

For FY 2016-2017, the OIG's Investigations Unit received and processed 186 complaint intakes, completed 29 preliminary reviews, and released 23 investigative reports.

Complaint Statistics

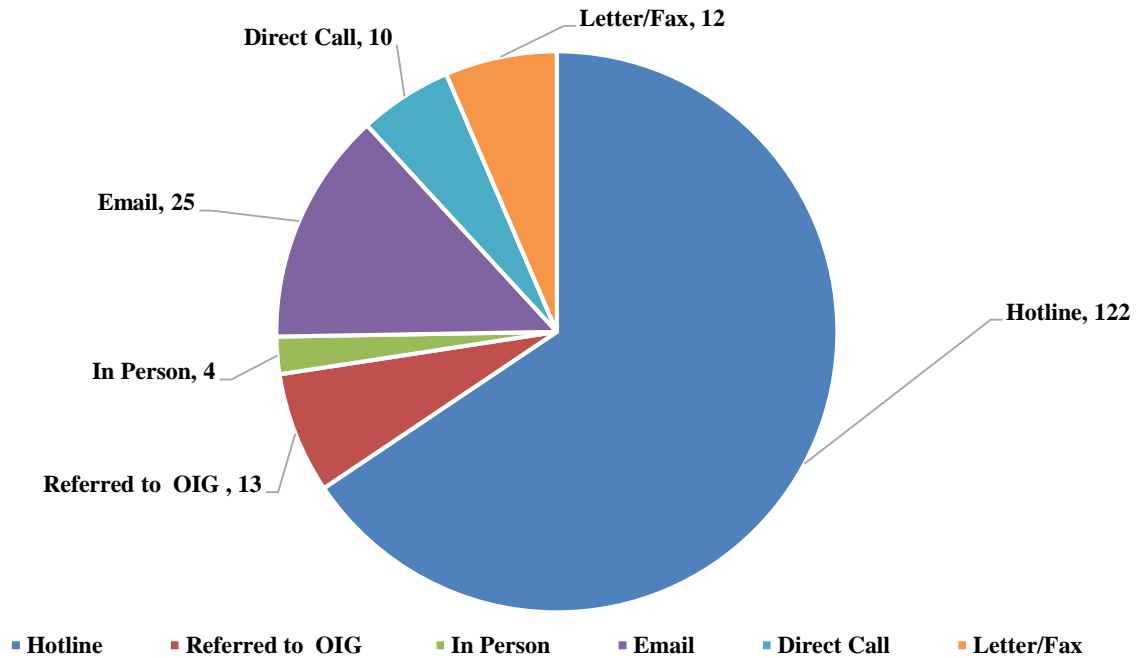
A monthly breakdown of the 186 complaints received this fiscal year is provided below. Months with the largest number of complaints, twenty or more, are August 2016, March 2017 and May 2017. Fewer complaints were received during the months of July 2016 and June 2017.



Methods Complaints Received

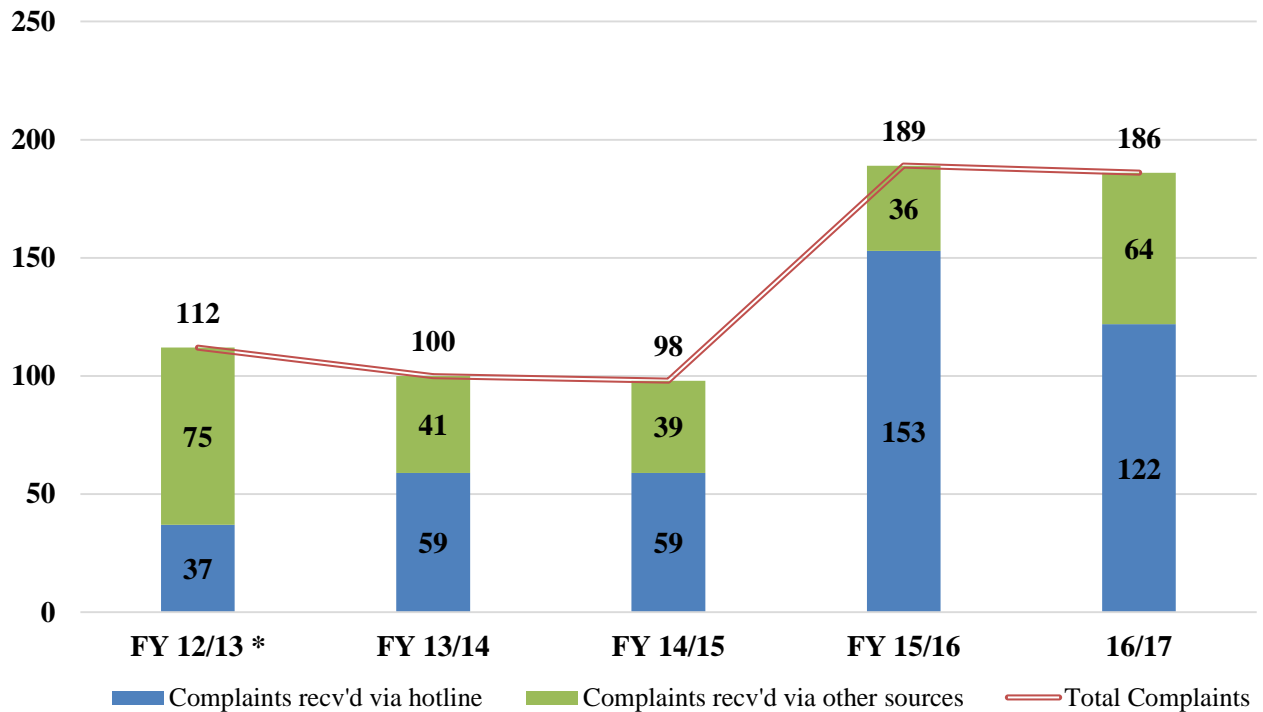
The OIG Hotline continues to be the preferred method of reporting fraud, waste and abuse. In its *2016 Report to the Nations on Occupational Fraud and Abuse*, the Association of Certified Fraud Examiners found telephone hotlines were the most commonly used method to report occupational fraud. The most common detection method was noted to be tips (39.1% of cases). However, organizations with reporting hotlines were stated to be more likely to detect fraud through tips than organizations without hotlines (47.3% compared to 28.2%, respectively).

For FY 2016-2017, the OIG received 186 complaints through the following channels:



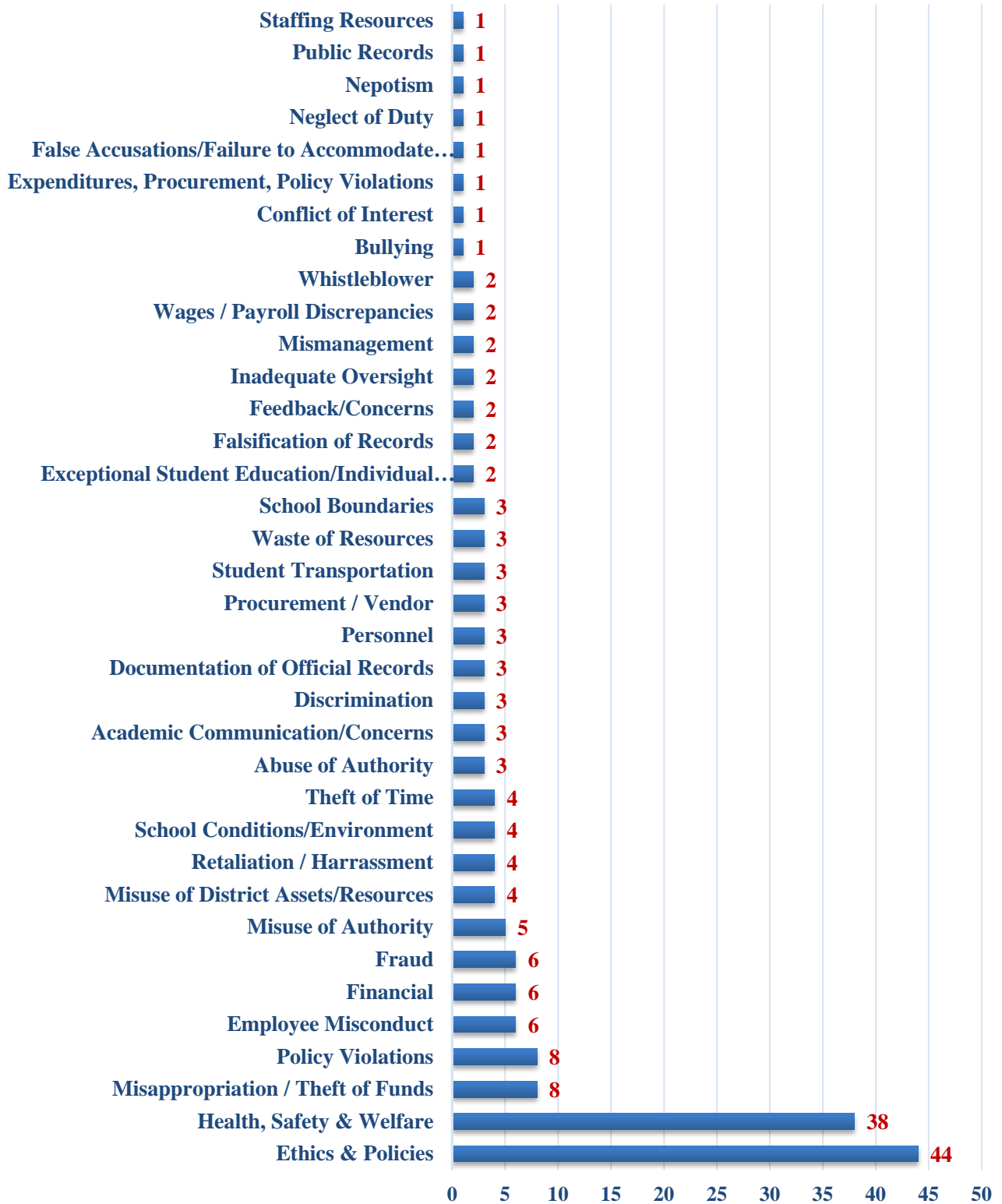
Overview of Complaints and Complaints via OIG Hotline

Since the inception of the OIG Hotline in March 2013, the OIG Hotline has been the most preferred means for persons to submit complaints.



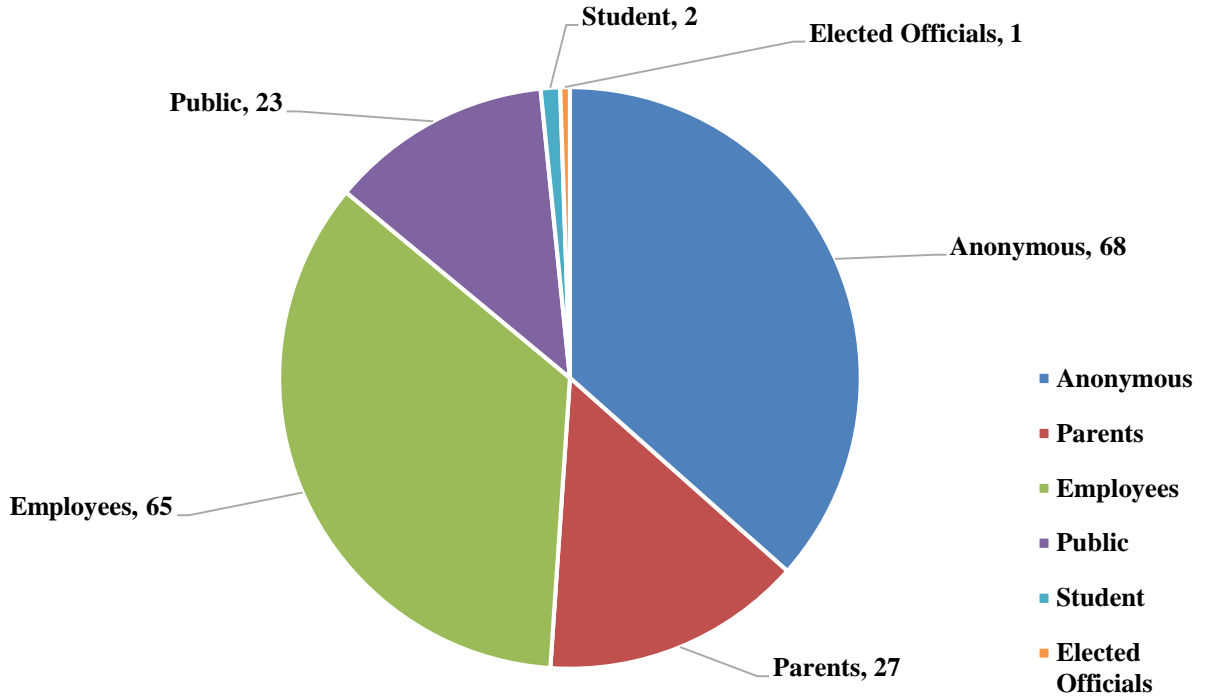
General Nature of Complaints

The table below reflects the nature or types of 186 complaints received in FY 2016-2017.



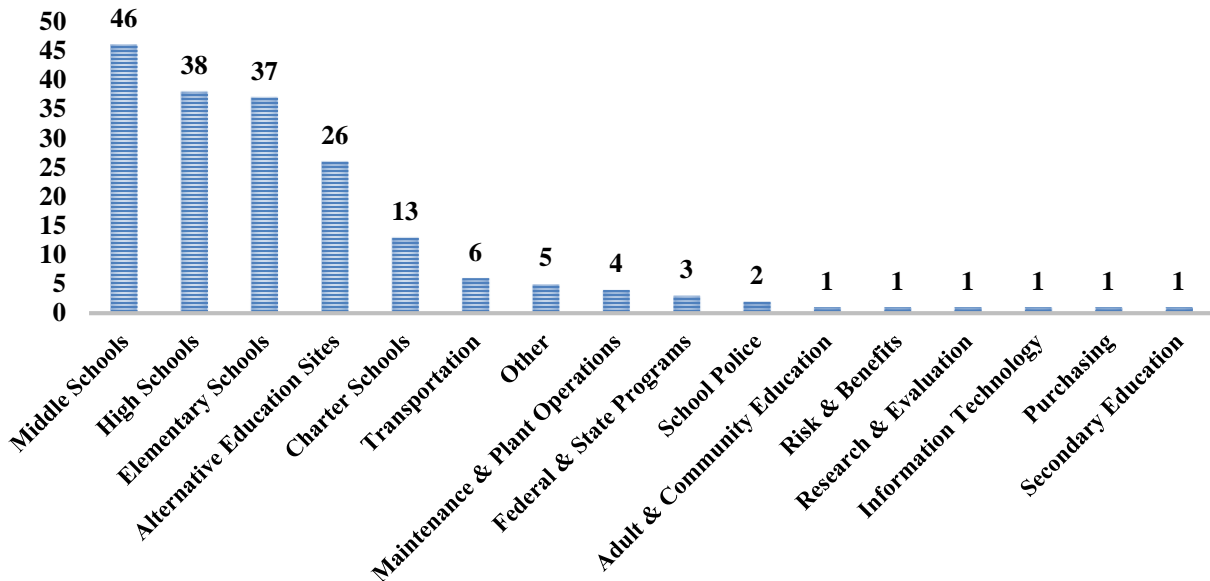
Source of Tips/Complaints

District employees, as employees in other organizations, are generally the primary reporting parties. However, the *2016 Report to the Nations on Occupational Fraud and Abuse* points out that parties other than employees provide significant tips. For the District, parents and other members of the public have contributed significantly to the reporting process for FY 2016-2017.



Complaints by Departments/Schools/Programs

For FY 2016-2017, the 186 complaints received by OIG related to the below District departments, schools, programs, and charter schools as outlined below.



District school settings accounted for the highest volume of complaints received. The number of complaints received related to middle schools increased from 17 in FY 15/16 to 46 in FY 16/17, whereas the number of complaints for high schools and elementary schools remained consistent being 33 and 34 respectively in FY 15/16 and FY 16/17. Charter schools complaints had a slight increase from 9 complaints in FY 15/16 to 13 complaints. Complaints related to alternative education sites dropped from 54 complaints received in FY 15/16 to 26 in FY 16/17.

Disposition and Status of Complaints

Thirty-nine (39) of the 186 complaints received in FY 2016/17 were retained by the OIG, five (5) were partially retained, and the remaining 147 complaints, after evaluation, were determined to be more appropriately handled by other departments, and were formally referred.

Status of Complaints Retained by OIG

During FY 2016-2017, the OIG reviewed or investigated 39 complaints. The status of the 39 complaints retained by OIG, partially or in whole, is as follows:

COMPLAINTS RETAINED BY OIG	#
OPEN BY OIG FOR INVESTIGATION	12
CLOSED AFTER INVESTIGATION AND PUBLICATION OF INVESTIGATIVE REPORT	12
CLOSED AFTER PRELIMINARY REVIEW DUE TO: <ul style="list-style-type: none"> • INSUFFICIENT INFORMATION (3) • NO VIOLATION/WRONGDOING (10) • NO JURISDICTION (1) • REVIEW/ACTION INSTITUTED BY ANOTHER DEPARTMENT (1) 	15
TOTAL	39

Complaints Carried Forward (FY 2013-2016)

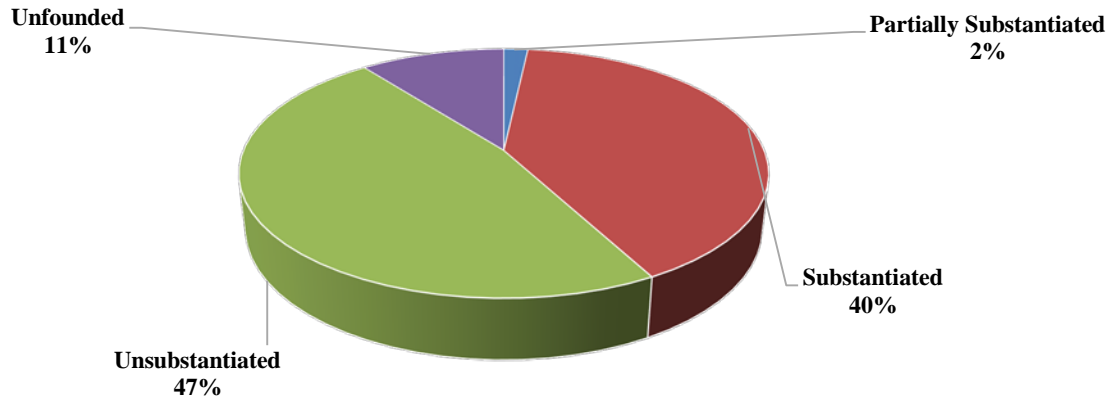
	FISCAL YEAR 2013/14	FISCAL YEAR 2014/15	FISCAL YEAR 2015/16
CARRIED FORWARD	1	6	23
PRELIMINARY REVIEW COMPLETED	0	(3)	(11)
INVESTIGATIVE REPORT COMPLETED	(1)	(2)	(9)
TURNED OVER TO ANOTHER DEPARTMENT/UNIT	0	0	(1)
REMAIN OPEN	0	1	2

The OIG carried forward 3 complaints into Fiscal Year 2016/17. As of this report, one of the complaints have been investigated and closed, and two of the complaints remain in open status.



Findings of Closed Investigations

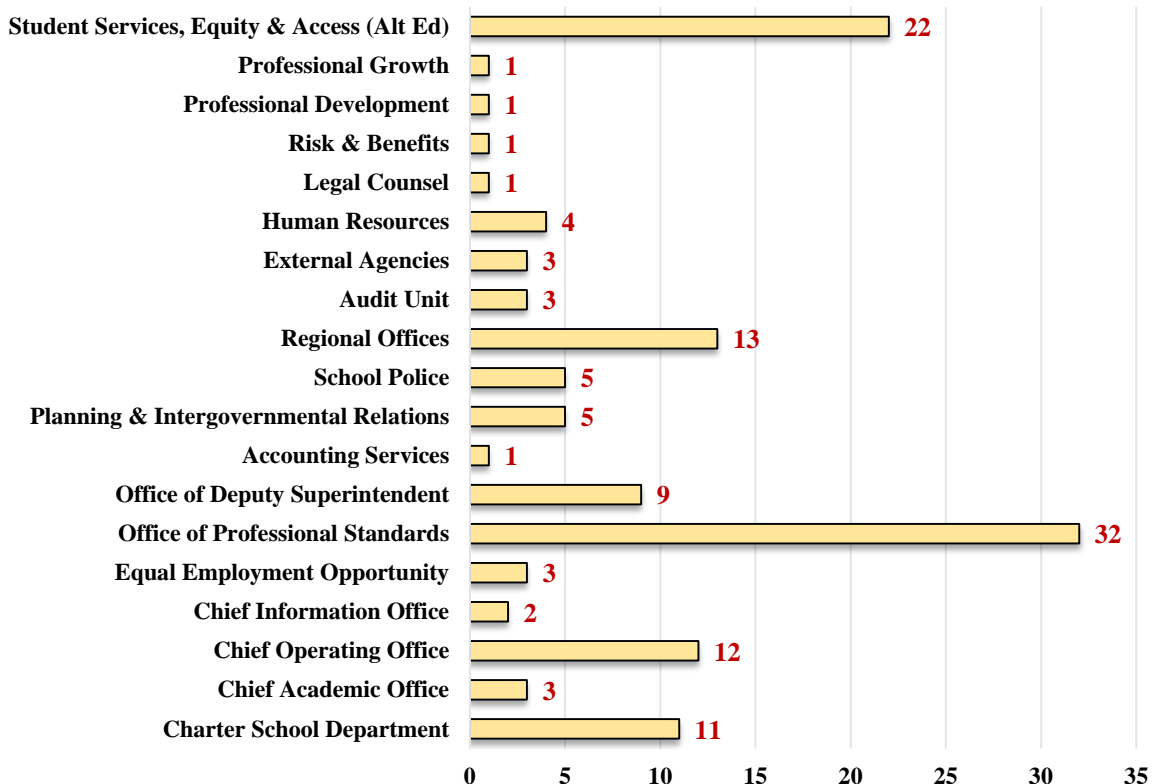
Of the investigations completed in FY 2016-17, the following chart designates the percentage of allegations in the closed investigations that were found to be substantiated versus those allegations that were found not be substantiated, and the percentage of allegations that were unfounded.



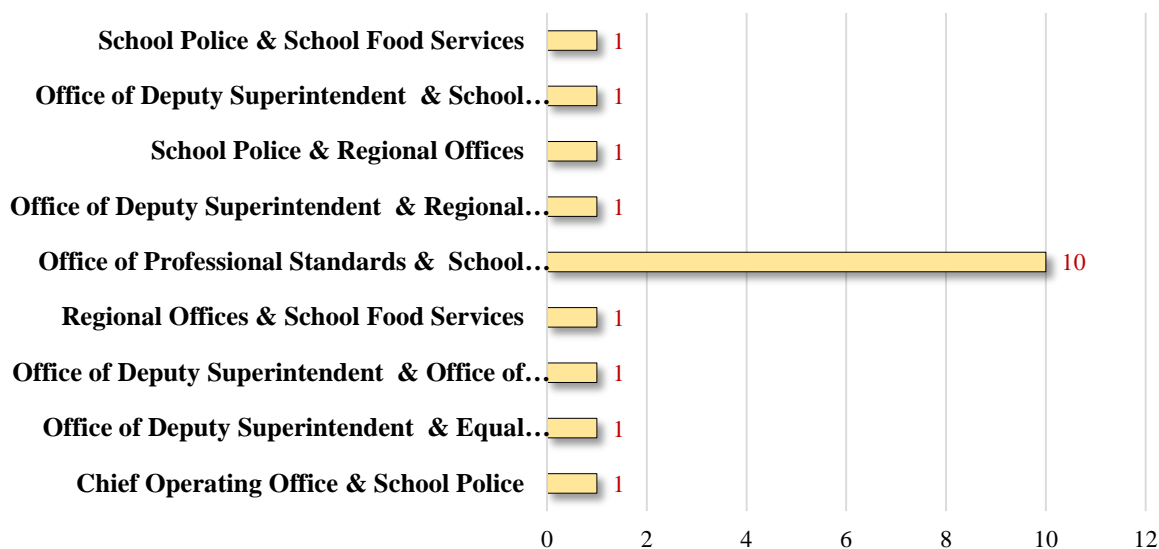
Complaints Referred to District Offices

The summary of referrals presented below reflects the OIG’s work with District administration and management, in accordance with Board policies and laws. One hundred forty –five (145) complaints were referred in their entirety, and 5 complaints were partially referred to a District department or program, or to multiple departments, or external agencies.

REFERRALS TO SINGLE DEPARTMENTS



REFERRALS TO MULTIPLE DEPARTMENTS



Status of Referrals to District Departments

To comply with the School Board’s request, the OIG periodically inquires about the status on referrals to other District departments or offices. Please find below a listing of matters related to the above complaints which have been resolved. The *AIG Principles and Standards* further recommend that a periodic report of office activities contain “a summary of civil and administrative referrals and the results from such referrals.

REFERRED DEPARTMENT	NATURE OF COMPLAINT	RESOLUTION
Chief Academic Officer	Academic	Concerns are being addressed by senior leadership.
Chief Academic Officer / School Police	School Boundary Violations	Issue was researched and sent to the corresponding school for appropriate action.
Student Services, Equity & Access (SSEA)	Personnel-Staffing	Unsubstantiated; New protocols created.
Student Services, Equity & Access (SSEA)	Misuse of resources - mismanagement	An extensive review of the current systems and policies in place for each alternative school, DJJ site, and departments under SSEA is being conducted. Additionally, monitoring systems are being created in order to ensure quality control.
Alternative Education	Student Safety	Matter was handled by WPB Police.
Chief Operating Officer	Student transportation	Transportation Administration spoke with Driver who was not proficient in speaking and understanding English and was confused about the route. A visual map was provided.
Chief Operating Officer	School Conditions	A/C was installed in the wooden portables to maintain humidity and temperature levels to assure on-going indoor air quality. Portable is not currently used for students but for other activities and may be occupied by students in the future.

REFERRED DEPARTMENT	NATURE OF COMPLAINT	RESOLUTION
Human Resources	Employee Wages	Issue was recognized by management and the complaint noted.
Planning and Intergovernmental Relations	School Boundary Violations	Same student in a previous resolved case.
Office of Professional Standards	Employee Misconduct	No jurisdiction.
Charter	Certification/Employee Misconduct	Charter is working with Administrator to correct the problem.
Office of Professional Standards	Theft of Time	Employee termination.
School Police	Student Safety	Case was previously handled by School Police.
Student Services, Equity & Access (SSEA)	Mismanagement	Appropriate placement of staff, no contract violation.
Information Technology	Ethics	Meeting held.
Office of Professional Standards	Employee Misconduct	No action taken by Principal.
Office of Professional Standards	Employee Misconduct	Regional Instructional Superintendent held conference with Principal.
Information Technology	Ethics	Meeting held
School Police / Office of Professional Standards	False Accusations / Failure to Accommodate Medical Needs	Risk Management reviewed the issue and requested additional information from the complainant. Complainant did not respond.
Office of Professional Standards	Misuse of Authority	Conference with Principal.
Office of Professional Standards	Misuse of Authority	Verbal Coaching Provided to employee by Principal.
School Police	Student Safety	Complaint was turned over to the Office of Professional Standards for an administrative disposition.
Office of Professional Standards	Ethics & Policies	Principal met and documented issue with employee.
Charter	Ethics & Policies	Principal provided written documentation of procedures.
School Police	Documentation of Official Records	Per USDA guidelines, for the first days of school the status will remain as last year.
Office of Professional Standards	Ethics & Policies	Verbal coaching provided to employee by Principal.
Central Region Superintendent	Policy Violation	Parent volunteers are teaching the science labs instead of just helping..
Office of Professional Standards	Ethics & Policies	Conference with Principal.
Central Region Superintendent	Policy Violation	Children hardly if ever go to recess.
School Police / Office of Professional Standards	Student Safety	Principal documented and discussed issue with employee.
Planning and Intergovernmental Relations	School Boundary Violations	Information sent to school for appropriate action.
Office of Professional Standards	Ethical Misconduct	Employee provided with verbal coaching.
Office of Professional Standards	Policy Violation	Case referred to OIG by OPS, returned to OPS due to no jurisdiction.
Office of Professional Standards	Policy Violation	No Action Necessary.
Planning and Intergovernmental Relations	Policy Violation	Reviewed and found the allegation to be incorrect.
Chief Operating Officer / School Police	Student Safety	Matter was investigated by the school based police officer who concluded the incident was



REFERRED DEPARTMENT	NATURE OF COMPLAINT	RESOLUTION
		an affray. The matter was referred to the school's administration for final disposition.
School Police	Feedback	Sent to employee's supervisor for counseling
Regional Instructional Superintendent	Academic Communication	Instructional Superintendent explained there was a miscommunication with the parent's request. A meeting was scheduled with the parent to discuss process moving forward.
Chief Operations Officer	Student Safety	Issue resolved.
Rehabilitation Center for Children and Adults	Student Safety	Safety Officer handled this incident and issue was resolved with parents
Instructional Superintendent	Student Safety	School Police investigation found both student were mutual combatants, per DOJ agreement no charges were filed.
School Police / Office of Professional Standards	Student Safety	Incident documented per School Police.
School Police	Student Safety	Incident documented per School Police.
Chief Operating Officer	Health & Welfare	Repairs completed.

Published Investigations

Investigations Completed and Published Since 2017 Semiannual Report¹

Case No. 15-337

Florida Futures Academy Charter School

This investigation commenced after OIG received an anonymous email complaint alleging: teachers were not provided a planning period, but worked ten hours per day, required to work double shifts, paychecks were late on two occasions, the Principal engaged in a threatening behavior with teachers after a report was made to the Board Chair and humiliated and disrespected staff. Additionally, it was alleged the school did not have an English teacher, or staff who specialized in ESE, and students ate food during lunch from the vending machines.

OIG reviewed the allegation of late paychecks being provided to employees on two occasions. The remainder of the allegations were referred to the Department of Charter Schools for review and action.

The results of the investigation substantiated that two pay periods in 2015 were not disbursed timely. During OIG's review, other financial issues were identified: unpaid rent, monthly

¹ Full reports of the investigations can be found at https://www.palmbeachschools.org/inspectorgeneral/investigativereports_2017/ and https://www.palmbeachschools.org/inspectorgeneral/investigativereports_2016/.

financial reports not provided to the District, discrepancies in financial information and errors in recording expenses.

Case Nos. 16-446/16-455

Adult and Community Education Department (Operations)

Numerous complaints were received alleging the following regarding the District’s Adult and Community Education Department.

1. Inaccurate information was provided in the April 20, 2016 School Board meeting agenda regarding who provided the approval for the expenditure of adult education funds.
2. The department was violating state and federal statutes as it relates to the spending of funds.
3. The department is wrongfully intending to hire an audit specialist to perform ongoing audits of departmental programs.
4. The department is requiring mandatory monthly budget spreadsheets.
5. The department was eliminating the complainant’s responsibility of overseeing one of the satellite program sites as retaliation for filing complaints with the OIG.
6. Complainant’s spouse was demoted from administrator and reassigned to another location as retaliation for her filing complaints with the OIG.
7. A public records request made and received by the complainant appeared to be altered and not original.
8. Department staff are going beyond their job scopes by conducting ongoing audits and making unannounced visits, using excessive control over program administrators and budgets, requesting information regarding employee pay rates, hours worked, salaries and benefits, and requiring the signed completion of forms related to data verification.
9. Department staff does not possess educational leadership certifications as required by law.
10. Adult educational sites have been closed without School Board approval.
11. There have been improper requests of confidential employee information without permission.

The results of the investigation concluded the eleven allegations to be either unsubstantiated or unfounded.

OIG recommended the Department consider updating written procedures to encompass any new guidelines and procedures that have been implemented and also to properly distribute and discuss any updates with staff.

Case No. 16-444

Merit Pay of District Secretaries

OIG commenced the investigation due to a complaint regarding a secretary strictly using annual time and not personal or sick time in order to receive attendance merit pay. The results of the investigation concluded the issue of utilizing annual time instead of sick time may be a system wide practice. OIG found no violation of rule or District policy that mandates an employee must utilize sick time when “actually sick”. However, it should be noted the District paid confidential



secretaries and miscellaneous employees a total of \$735,875.42 in attendance pay for the time period of January 11, 2013 through September 30, 2016.

OIG recommended that: 1) if the District is going to continue to utilize attendance pay as an incentive for employees, the District should consider classifying it as such and not call it “merit pay”, 2) District management work together with the appropriate unions, staff organizations, and District staff to encourage employees to utilize the appropriate paid leave choice that is applicable to the employee’s actual reason for requesting leave, and 3) District management consider training for staff and updating the current leave policy to encourage reporting or requested paid leave.

Case No. 16-467 Whistleblower Retaliation
Lake Worth High School Flea Market

This investigation commenced as a result of a complaint from a Lake Worth High School Flea Market vendor that was banned from conducting business at the Flea Market after making a complaint regarding misconduct by the Flea Market Manager. Allegations and conclusions of this investigation were as follows:

1. The complainant was discriminated against and banned from the Flea Market. Unsubstantiated.
2. The complainant was discriminated against on the basis of language, race, religion, and country of origin. Unsubstantiated.
3. Flea Market Manager and spouse expressed special consideration for “Spanish” vendors. Unsubstantiated.
4. Lake Worth High School Assistant Principal colluded with and defended the actions of the Flea Market Manager and spouse. Unfounded.
5. Questionable rental collection procedures were practiced. Substantiated.
6. The Flea Market does not operate on a “first come first serve basis”. Substantiated.

OIG recommended:

1. The Flea Market consider changing its advertisement of “first come first serve” as the statement could lead to different interpretations.
2. Lake Worth High School administration should develop written procedures to govern the Flea Market operations.
3. Lake Worth High School administration should ensure that the Flea Market Manager has read applicable District policies.
4. Lake Worth High School administration should require that long term vendors pre-pay their fees during the week to the school.
5. Lake Worth High School administration should require the Flea Market Manager to utilize the drop-safe inside the school at the end of each day to properly secure the money that is collected.
6. Lake Worth High School should utilize a competitive solicitation for vendor selection to manage the Flea Market given the current vendor has had the management contract since 1992.
7. Lake Worth High School Flea Market should ensure that all mobile food truck vendors selling food on District property (1) adhere to all applicable rules, regulations and procedures as it relates to required mobile food vendor

qualifications and (2) are in compliance with the Department of Business and Professional Regulations current health inspection for mobile kitchens.

8. Lake Worth High School address issues of potential safety hazards that were observed.

Case No. 16-507

Gove Elementary School (Leasing)

OIG commenced this investigation based on a complaint regarding the leasing procedures at Gove Elementary with regard to two lessees. The complaint alleged:

1. Lessee #1 used the facility prior to presenting payment.
2. Lessee #1 for the month of September 2016 was submitted for approval after the facilities had already been used by the lessee.
3. Lessee #1 used the facility of Wednesday evenings, although the lease did not include that use.
4. Lessee #2 lease was coded as “non-profit” and paid rates accordingly even though the business is not considered non-profit.
5. Lessee #2 used the facility prior to presenting payment.
6. A lease payment was placed into the incorrect internal funds account.

The results of the investigation determined all allegations were substantiated. OIG recommended the school 1) collect any outstanding fees from lessee #1 and 2) make the proper corrections with regard to the allocations for the lease payment that was placed into the incorrect internal funds account.

Case No. 16-478

Gove Elementary (Missing Funds)

OIG investigated a report of an unknown amount of cash money seen inside the safe at Gove Elementary School then later not seen. The results of the investigation did not substantiate if the funds in questions were missing but did determine the school did not keep accurate drop safe log records which included missing pages. During the investigation a discrepancy of \$77.00 was noted.

Case No. 16-526

Adult and Community Education Department (Violation of FLDOE Rule)

OIG commenced this investigation after a complaint was filed alleging that a directive from a manager violated Florida Department of Education rules pertaining to the reporting of adult student attendance and withdrawal.

OIG found the allegation to be unsubstantiated as there was no evidence directives from Department staff pertaining to adult student reporting were intended to violate laws, rules, or policies.

Case No. 16-551

Lake Worth High School (Unentitled Supplements)

OIG commenced this investigation as a result of a referral from the Office of Professional Standards. The complaint alleged a District employee received a supplement for driving a school bus for the track team, another District employee received a supplement for being the assistant

band director even though the employee was not a music teacher. Further, it was alleged these supplements were approved by the Principal.

OIG investigation concluded the allegations against staff were unsubstantiated.

Case No. 16-556

Boynton Beach High School (Students Payments for Football Spirit Packs)

OIG commenced an investigation after a complaint was received by OIG alleging spirit packs were not received during football season.

The results of the investigation determined the allegation to be unsubstantiated.

OIG recommended for staff to establish clearer means of documenting partial payments made by students, improve communication with parents, and require designated staff to complete the District sponsored bookkeeper training.

Case No. 17-576

Hidden Oaks Elementary (Abuse of Authority)

OIG commenced this investigation after receiving a complaint regarding the Principal of Hidden Oaks Elementary. It was alleged the Principal asked her staff, via email, to participate in a fundraiser without providing details or explanation to staff about the fundraiser. It was further alleged the funds raised by staff for the fundraiser were given to the Principal's son's fundraiser.

The results of the investigation concluded the allegation to be unsubstantiated.

Case No. 16-539

Pahokee Middle/Sr. High School (Athletic Supplements)

OIG commenced this investigation after a complaint was received regarding concerns that certain school staff may have received supplements that they may not have been entitled to receive. OIG determined that the supplements received by staff appear to be in violation of Collective Bargaining Agreements, therefore the allegations are substantiated.

Case No. 15-223

Bak Middle School of the Arts (Missing Money)

OIG investigation addresses a complaint related to a shortage of funds in the athletic accounts. A preliminary review determined the allegation was substantiated. Based on the preliminary review results, the scope of the investigation was expanded, which revealed the issue encompassed other accounts at the school.

A joint investigation with School Police, concluded that failure to adhere to District procedures resulted in \$66,000 missing for the period of July 1, 2012 through February 28, 2015.

School Police filed a probable cause affidavit with the Office of State Attorney. Subsequently, OIG received a no file memorandum from the Office of the State Attorney. However, the State Attorney later arrested the bookkeeper on forgery charges.

Case No. 17-562

West Riviera Beach Elementary (Use of District's P-Card)

OIG commenced a review at the request of the Chief Operations Officer (COO) related to the Principal. Specifically, the COO requested for the Principal's purchasing card, check requisitions, and school checks payable to the Principal to be reviewed.

The investigation determined that some of the purchasing card purchases appeared to be personal in nature. The results of OIG investigation were reviewed by School Police who determined that there was no evidence of a crime.

Case No. 17-589

Galaxy Elementary School (Contract Forgery/Fraud)

OIG commenced this investigation after a complaint that the School Treasurer was asked by the Afterschool Director to backdate a consulting agreement contract.

The investigation determined the allegation was unsubstantiated. However, it was determined the Principal did not obtain authorization from the Area Superintendent to enter into contracts that exceed \$5,000 as required by District policy.

Case No. 17-598

Boynton Beach Community High (Culinary Program)

OIG commenced this investigation after a parent complaint alleging a student reported the Culinary Arts teacher received money from students for cooking projects, but no cooking projects were completed.

The parent also alleged the Culinary Arts teacher used racial slurs in class. This allegation was referred to the Office of Professional Standards for further action.

The results of this investigation determined the allegation with regard to money for cooking projects was unsubstantiated.

Investigations Completed and Published in 2017 Semiannual Report²

Case No. 13-094

Disposal of Information Technology Hardware (Administration)

The investigation addresses two allegations concerning the improper disposal of District Informational Technology hardware which were:

1. Information Technology Department management instructed staff to "dispose of tens of thousands of dollars' worth of usable computer equipment."
2. The reason for disposing of the equipment was because of "a pending OIG audit".

Allegation number 1 was partially substantiated as the dollar amount was undeterminable. Allegation number 2 was substantiated.

² A more detailed statement about the investigations can be located in the 2017 OIG Semiannual Report which can be located at <https://www.palmbeachschools.org/inspectorgeneral/wp-content/uploads/sites/66/2017/05/OIG-Semi-Annual-Report-April-2017.pdf>.



Case No. 15-268

Unauthorized Purchases at Sam's Club and Costco (Palm Beach Gardens High School)

OIG's investigation revealed the school paid for unauthorized purchases at Sam's Club and Costco by the School Treasurer totaling \$10,482; and paid for unauthorized purchases at Sam's Club for the Assistant Principal totaling \$1,141.87. Thus, the allegations against the Treasurer and Assistant Principal were substantiated.

School Police assisted with these investigations. Criminal charges were filed against the Treasurer, and the matter regarding the Assistant Principal was referred to the Office of Professional Standards.

Case No. 15-279

Improper Use of District Property (Alternative Education)

This investigation commenced with an allegation regarding a District computer assigned to an employee that was not utilized at the workplace and instead was at the employee's home. Although District records indicated the status of the computer as disposed, there were no records indicating the device was assigned to the employee. The employee admitted the computer was in his home, stating the computer had been assigned to him nine (9) years ago. Thus, the allegation was substantiated.

Case No. 16-390

Teacher Certification (Glades Central High School)

The OIG received allegations that a temporary teacher at Glades Central High School, holding a nonrenewable temporary certification, offered another employee a fee to take the teacher certification course for her. Since the temporary teacher did not submit the required documentation to the District's Certification Office by July 1, 2016, the individual was terminated for failure to provide verification of completion of the necessary course requirements.

Case No. 16-431

District Payments to Soccer Referees (Administration)

This investigation concluded a District employee provided personal funds to facilitate *prompt* payments to the athletic officials. OIG found no violation of law, rule or policy committed by the District employee; however, we did find the arrangement or practice of the District employee having to fund the soccer referees' payments, even if temporary, to not be a sound business practice for the District.

Case No. 16-458

Student Textbook Return (Palm Beach Central High School)

A parent complained about paying for a textbook alleged by the school to have not been returned by his child and that the school failed to provide a receipt upon the return of the textbook. OIG's review of the school records indicated the textbook was missing. The school's textbook manager stated the school provides students with receipts for the return of textbooks only if requested. However, the textbook manager further stated that in the past the school provided receipts to all students, but the practice was eliminated due to many receipts left behind by the students and found on the floor throughout the school.

OIG was unable to substantiate the allegation as OIG could not determine if the student returned the book, since the school's records indicated the book was still missing.

Case No. 16-497

Students Charged Transportation Fees by Transportation Employees (Pahokee High School)

A District bus driver inappropriately took money from members of the high school's cheerleading team in exchange for transporting them to an "away" football game. In addition, OIG found that the cheerleader coach had requested and accepted money from the school's students to pay the bus driver to transport the cheerleading team.

Case No. 15-321

South Florida Virtual Charter School Board, Inc.

OIG commenced this investigation after receiving allegations that the governing board of Florida Virtual Charter School of Palm Beach, or the South Florida Virtual Charter School Board (Board), had engaged in transactions which violated Sections 112.313 and 112.3143, Florida Statutes. The OIG also reviewed two additional issues regarding the School's operation by its management company, K12, Inc.

The results of the investigation revealed the Board continued a check signing practice that conflicts with the requirements of the school's Charter Contract. OIG also concluded that (1) the Board's advance payment of \$15,000 to a contractor did not represent sound business practice; and (2) a Consulting Procurement Agreement ratified by the Board with a company in which the Board Chair served as its Chairman and Chief Executive Officer represented a conflicting contractual relationship.



Whistleblower Complaints and Determinations

The Investigations Unit completed 9 whistleblower determinations for the period of July 1, 2016 through June 30, 2017. After assessing each complaint, the OIG determined that 7 of the allegations did not demonstrate reasonable cause to suspect a protected disclosure had occurred. Based upon further review, the complaints were documented in a preliminary review report and processed through OIG resolution procedures.



In General

To promote independence and objectivity of the audit function in the School District, the School Board established the *Audit Committee Charter* and created the Audit Committee in 1993. The Audit Committee is to ensure broad audit coverage, adequate consideration of audit reports, and appropriate staff actions in response to audit findings. The Audit Committee is comprised of seven voting members appointed by individual School Board Members, and six non-voting representatives including one School Board Member, the Superintendent, General Counsel to the School Board, one representative from the Classroom Teachers Association, and one representative from the school principals. *School Board Policy 1.091* governs the Audit Committee.

Board Policy 1.092 authorizes the OIG to conduct “financial, compliance, performance, management, operational, electronic data processing or other audits of all departments, offices, activities, agencies, contracts, grants, procurements for goods, services, or construction, agreement, and other programs under the operation, control and supervision of the School District.”

District audit work is conducted in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. These standards require due professional care in conducting audits, professionally qualified staff, adequate supervision, planning of audit work, and reporting audit findings. Two major types of audits are performed by the OIG: Performance Audits and Financial and Compliance Audits.

Full reports of the audits summarized below can be found at:

<https://www.palmbeachschools.org/inspectorgeneral/audit-reports-2017/>; and
<https://www.palmbeachschools.org/inspectorgeneral/audit-reports-2016/>.

Performance Audits

Performance Audits Completed Since 2017 Semiannual Report

1. Audit of P-Card Expenses for Selected Departments, Report No. 2017-01.

The primary objective of this audit was to determine the extent to which P-Card purchases for selected departments during July 2014 and February 2016 were conducted in compliance with District Policies and Procedures. The audit produced the following major conclusions:

- A. *P-Cards Issued in Accordance with District Procedures.* The review of sample P-Card applications concluded that P-cards were issued in full compliance with related District's procedures.
- B. *Untimely Deactivation of P-Cards.* During July 2014 through February 2016, a total of 48 employees who had a District P-Card ceased employment with the School District. The review of the P-Card accounts for these 48 former employees found that 15 (or 31%) of the cards were not timely terminated. Delays ranged from one to six days.
- C. *Noncompliance with Control Procedures for Use of P-Card.* During July 2014 through February 2016, District departments made 28,245 P-Card purchases, totaling \$5,556,935. The OIG reviewed selected transactions from the Purchasing Department and five other

departments with the highest dollar amounts of P-Card purchases during the audit period, including 148 monthly reconciliations and 2,116 transactions, totaling \$496,324. The review concluded that:

- 1) Purchase with No or Insufficient Documentation. A total of \$2,548.98 in 13 purchases made by three departments did not have adequate documentation for the purchases: (1) four transactions (for \$125.65) had no supporting documents, (2) seven transactions (for \$1,695.33) were supported by credit card receipts but did not have the details of the purchases, and (3) two transactions (for \$728) were for travel expenses but did not have the required *Temporary Duty Elsewhere (TDE) Forms*.
- 2) Prohibited Use of P-Card. Four P-Card transactions were used for purchase (totaling \$2,882.98) of computers, which were prohibited and must be procured through the Purchasing Department.
- 3) Monthly Reconciliations Neither Reviewed Nor Approved by Directors. The review of 148 sample monthly reconciliations revealed that (1) three of the sample *P-Card Monthly Bank Statements* were neither signed nor approved by the directors in two departments, and (2) seven *Monthly Bank Statements* did not have the dates of the directors' signatures, indicating the monthly review might not have been performed in a timely manner.
- 4) Split Purchases. A \$1,853.94 purchase by a department on May 28, 2015, was split into two ($\$926.97 \times 2 = \$1,853.94$) and charged to the department's two different P-Card accounts. The actual purchase exceeded the \$1,000 per vendor daily limit and must obtain prior approval from the Purchasing Department.
- 5) Unclear Business Purpose. Five P-Card purchases, totaling \$1,781, for a department were rental payments to a self-storage warehouse. However, the department did not clearly indicate the educational or business purpose of the expenses.

2. Audit of Fuel Inventory Controls, Report No. 2016-08.

The primary objectives of this audit were to (1) assess the adequacy of controls and extent of compliance in handling fuel inventory, and (2) determine the extent of fuel vendor's compliance with the contract. This audit produced the following major conclusions:

- A. Controls for Fuel Deliveries Needed Improvement. OIG staff observed the fuel delivery process at the District's eight fuel sites, and noted several control weaknesses: (a) the fuel truck drivers had access to and printed reports from the District's *VeederRoot* fuel inventory management system, (b) the fuel delivery process was not monitored by Transportation staff, and (c) while the fuel delivery was in process, the affected areas were not closed and some District's vehicles were being refueled.
- B. Problems with Fuel Dispensing System. The review of the Phoenix Fuel Management System (Phoenix System) noted the following control weaknesses: (a) all users used the same System Administrator's ID, that has full unrestricted access authority to the system; (b) most of the Phoenix System's built-in controls were not activated for monitoring fuel dispensing activities based on vehicle's specifications, such as fuel tank size and fuel economy information; and (c) fuel-can card dispensing activities were not controlled or monitored.
- C. 234,100 Gallons of Fuel Dispensed during Off-Hours, Weekends, and Holidays in July 2013 through February 2016. During July 2013 through February 2016, a total of 234,100 gallons of fuel, with estimated cost of \$513,567, were dispensed during off-hours (8:00 p.m. to 5:00 a.m., Monday through Friday), weekends, and holidays.
- D. Monthly Fuel Usage and Billing Statement Not Provided to User-Departments. Transportation used the Phoenix System to calculate the fuel usage for user-departments and billed the department monthly. However, fuel usage information was not provided to the user-departments for review, monitoring, and approval. The review of

- sample fueling transactions disclosed that 1,822 gallons (\$5,194 in value) in fuel processed through the use of three fuel cards were charged to the wrong departments during July 2013 through April 2015. Errors occurred because (a) the fuel card information for two vehicles was not updated after the vehicles had been transferred to other departments, and (b) two fuel cards with the same card number were assigned to two different vehicles.
- E. *No Independent Confirmation of \$458,078 in Fuel from Sample Billings.* The OIG examined the sufficiency of documentation for 138 random sample invoices, totaling \$2,194,509, for the period July 2013 through February 2016. Eighteen (18) of the 138 sample invoices, totaling \$458,078, did not have the Oil Price Information Service (OPIS) Reports for price verification, which was required by the District's fuel purchase contracts. As a result, there was no assurance that the invoiced prices were correct.
 - F. *Fuel Reconciliations Needed Improvement.* Transportation reconciled the physical fuel inventory to the perpetual records on a monthly basis. However, after the reconciliation, there was no further actions taken by Transportation when differences were noted in the reconciled amounts. Nine adjustments in fuel inventory were made on the books for all storage tanks from July 2012 to June 2016. A total negative adjustment of \$1,469,867 was made to the general ledger balance for the Fuel Inventory Account (#115012), which resulted in reducing the asset balance by \$1,469,867.

3. Audit of District's Take-Home Vehicles, Report No. 2017-02.

The primary objectives of this audit were to determine (1) the extent of compliance with relevant School Board Policies related to take-home vehicles, and (2) if the take-home vehicle program was operating efficiently during Fiscal Years 2015 and 2016. This audit produced the following major conclusions:

- A. *Circumvention of Take-Home Vehicle Policy by Parking District Vehicles at District Facilities Nearest to Employees' Homes.* The audit concluded that 48 District non-take home vehicles assigned to staff were parked at District facilities nearest to their residences. This circumvents School Board Policy 2.28 for assigning take-home vehicles to staff who were otherwise not eligible for a take-home vehicle.
- B. *No Take-Home Vehicle Assignment Registration Forms (PBSD 2436).* School Board Policy 2.28 requires employees assigned with take-home District-owned vehicles to complete the *Take-Home Vehicle Assignment Registration Form (PBSD 2436)* annually. During Fiscal Year 2016, none of the five employees assigned with take-home vehicles filled out the required form.
- C. *No Vehicle Utilization Log (PBSD 2040).* School Board Policy 2.28 requires employees assigned with District-owned vehicles to complete the *Vehicle Utilization Logs* monthly for their supervisor review. As of April 13, 2016, 129 District vehicles were assigned to employees in 15 departments. OIG found that seven departments did not require their staff (94 employees in total) to complete the required monthly *Vehicle Utilization Log (PBSD 2040)*.
- D. *No Automobile Liability Insurance Coverage.* OIG surveyed four sample departments that had a total of 191 District vehicles assigned to their employees. The survey results revealed that only five (2.6%) of the 191 employees provided their supervisors with the proof of liability insurance. The lack of insurance coverage for District vehicles could subject the District and the employees to unwarranted liability if such vehicles are involved in accidents that cause injuries and damages after work hours.

4. Audit of School Bus Safety Inspection, Report No. 2017-03.

The primary objectives of this audit were to determine (1) if Post-Trip Passenger Check (Child Alert) and Video Surveillance Camera (video camera) Systems on school buses were in working condition, (2) if school bus inspections were conducted by certified inspectors, and (3) if school buses were inspected within the required time interval. The audit produced the following major conclusions:

- A. 65% of Child Alert Not Working and 35% of Child Alert Manually Disconnected/Disabled on Sample Buses During OIG's First On-Site Observations. In May 2016, OIG conducted the first on-site observations of 89 sample school buses at the District's six bus compounds. The observations revealed that the Child Alert System in 31 buses were manually disconnected; 27 buses had a non-working Child Alert System; and 6 buses had non-working video cameras.
- B. 21% of Child Alert Not Working and 2% of Child Alert Manually Disconnected During OIG's Follow-Up On-Site Observations. OIG conducted a second on-site visit in September 2016 and observed 61 sample buses. The second observation disclosed that 11 buses had non-working Child Alert Systems, 10 had system failure, and the System in one bus was manually disconnected; 2 buses had a non-working Video Camera; and 2 buses had non-working video and Child Alert Systems.
- C. Mandatory Monthly Safety Inspections Not Effective in Identifying Defective Devices. Both Child Alert and Camera Systems are part of the required monthly safety inspections. Our review of the latest *Mandatory Safety Inspection Forms* for the 13 buses with non-working Child Alert observed by OIG during follow-up on-site observations found that only two of them were noted non-working devices on the *Inspection Forms*; all the other sample buses with non-working devices were not identified on the *Inspection Forms*.
- D. Records on Daily Pre-Trip and Post-Trip Inspection Reports Were Questionable. District's procedures require bus drivers to perform daily Pre- and Post-Trip Inspections and document the inspection results on the *Pre/Post-trip Inspection Report*. Our September 7 and 8, 2016, follow-up on-site observations found 13 (21%) of the 61 sample buses had non-working Child Alert. However, the September 7, 2016, *Pre/Post-trip Inspection Reports* for 12 of the 13 buses did not indicate that there were problems with the Child Alert, which were contrary to the OIG follow-up observation results.
- E. Bus Safety Inspections Performed by Inspector With Expired Certification. Three hundred ninety-two (392) School Bus Safety Inspections at West Compound were conducted by an Inspector with expired Certification during July 2014 through May 2016.
- F. Mandatory Safety Inspections Not Performed Within the 30-School-Day Requirement. Five percent (5%) of sample Safety Inspections were not performed within the maximum 30-School-Day Interval Requirement.

5. Audit of Construction Contract for Glade View Elementary Modernization, Report No. 2017-04.

The primary objectives of this audit were to (1) assess the adequacy of internal control for the project's expenditures, and (2) determine whether the expenditures were paid in accordance with terms and conditions of the contract. This audit produced the following major conclusions:

- A. Procedures for Payment to Contractor Not Codified. OIG's June 11, 2015, *Audit of Fees Paid to Construction Managers (Report# 2015-07)* recommended the Division of Support Operations initiate the creation and development of a School Board Policy that adequately addresses the requirement of State Requirements for Educational Facilities (SREF). Although a draft *School Board Policy 7.229, Construction Contractor Payments* had been developed since May 2015, this Policy had not been presented to the School Board for review and approval as of January 31, 2017.

- B. \$23,763 in Duplicated Billings Detected and Avoided. The Construction Manager submitted a total of 25 *Payment Applications*, totaling \$13.5 million, for this project. OIG reviewed 12 (48%) sample *Payment Applications* (totaling \$5.7 million and 42%). The review found that *Payment Application #24* included \$23,763 from 16 duplicated invoices that had already been paid by the District. The District was able to avoid the duplicated payment after the billing errors were identified by OIG.
- C. \$2.4 Million in Sub-Consultant Payments Without Release of Claim/Lien. Based on the payment records, the 12 sample *Payment Applications* should have a total of 229 *PBSD 1620 Forms (Partial Release of Claims and Waiver of Lien and/or Verification of Payment)* for a total payment of \$5,602,641.80. However, 79 (or 34%) of the 229 Forms which represented \$2,367,965.97 (42%) in payments were missing in five of the 12 sample *Payment Applications*. *PBSD 1620 Form* should provide assurance that the subconsultants, subcontractors, and suppliers have received the payments for *Payment Applications* submitted by the Construction Manager. Without the form, it could subject the District to claims/lien from subcontractors for non-payments by the contractor, although the prime contractor has been paid.
- D. Contingency Use Without Prior Approval. As of August 10, 2016, a total of 78 *Construction Contingency Use Authorization (CCUA)*, totaling \$275,120, had been approved by Program Management. Our review of 22 sample CCUA (totaling \$233,267) found that CCUA #88 (for \$47,937) was for work conducted during November 2014 and June 2015. However, this CCUA was neither submitted by the Construction Manager nor approved by the Superintendent until January and February 2016 respectively, or 15 months after the work had begun and eight months after the work had been completed.
- E. Maintenance of Construction Documents. The OIG's *2011 Audit of Two Construction Projects (Report #2011-05)* revealed that construction contract files and documents were not adequately maintained. Program Management Department's Procedure Number PM-301, Project File Audit Procedures, requires the senior projects administrator to verify that all required documents are in the Major Construction Project files, including both the hardcopy "Master" and electronic "Image Quest" files.

Performance Audits Included in 2017 Semiannual Report

1. Audit of Eagle Arts Academy Charter School, Report No. 2016-07.

In response to a request by School District staff, the Office of Inspector General (OIG) performed an audit of Eagle Arts Academy Charter School (EAA) for the Fiscal Year ended June 30, 2015. The primary objectives of the audit were to determine (1) whether the school's 2014-15 Student FTE Surveys 2 and 3 were accurate, (2) the extent to which EAA properly recorded and reported the revenues and expenditures, and (3) the extent of compliance with the financial and governance requirements of the *Charter Contract*. The audit produced the following major conclusions:

- A. Over-Reporting of Student Full Time Equivalent (FTE) Count: Nine (9) students reported in Survey 2 were not eligible for FTE funding. The District overpaid EAA \$29,934.91 in FTE funds. As a result, the District has withheld these funds from the charter school.
- B. Payment of \$38,779.70 in Start-Up Costs to EAA's Founder: The Governing Board authorized the payment of \$38,779.70 in start-up costs incurred by Sound Tree Entertainment, Inc. (STE), a corporation solely owned by the EAA Founder. The expenses were supported only by check copies and ledger sheets maintained by the EAA Founder. Start-up costs before the Charter Agreement approved by the School Board are not eligible for reimbursements.

- C. Internal Control Weaknesses: The review of disbursement records noted the following three internal control weaknesses: (a) expenditures with no or inadequate documentation; (b) checks missing and issued out-of-sequence; and (c) expenditures not recorded in the school's accounting system.
- D. Related Party Transactions: OIG noted the following related party transactions: (a) EAA's management company (iSchools) and its vendor (The School Store, LLC) are owned by the same persons; and (b) EAA's Vice-Chairman signed a consulting contract, approved payments, and signed checks to his business partner. The OIG concluded that the Consulting Contract initiated and signed by the Vice-Chairman with his business partner represented a potential conflicting contractual relationship, prohibited by Florida Statute 112.313(3). The EAA Governing Board subsequently investigated the contract and removed the former Vice-Chairman from the Board.
- E. Lease Agreement: EAA executed a 25-year lease agreement with annual payments based on a minimum imputed number of student enrollment. The lease term is longer than the Charter Agreement. Annual rental payments for the unfunded students would place a significant negative financial burden on the school.

Eagle Arts Academy's governing board chair, principal, and legal counsel were notified by School District Superintendent of its noncompliance with its Charter Agreement, and was requested to correct the deficiencies within 30 days.

2. Audit of PeopleSoft Security, Report No. 2016-10.

The primary objective of the audit was to assess the adequacy and extent of compliance with the internal controls for accessing the PeopleSoft System at the District. The School District uses the PeopleSoft System to manage and process the District's human resource and financial transactions and databases through various modules related to financial (e.g., asset management, eProcurement and purchasing, billing, contracts, expenses, general ledger, inventory, project costing, receivables and budget commitment controls) and human capital management (e.g., HR, payroll, benefits administration, time and labor, absences, employee self-service). This audit produced the following major conclusions which are subject to disclosure:

- A. General Procedural Controls Appeared Adequate. OIG reviewed certain procedural controls in managing PeopleSoft access security and the status of corrective actions to address the audit findings identified in the 2014 Audits by the Florida Auditor General and the District's external auditor. Our review concluded that related corrective actions have been implemented. Also, the procedural controls reviewed during this audit appeared adequate.
- B. Untimely Removal of Access for Terminated Employees. A total of 901 District and charter school employees terminated their employment during February through April 2015. These 901 employees had a total of 1,021 job records due to the fact that some of them had more than one job assignment. The review of these 1,021 job records found that 607 (59%) were not timely updated, with delay ranging from one to 118 days.
 - For the District, Human Resources enters the termination information into PeopleSoft HR Database upon receipt of the required paper forms. However, 547 (59%) of the 933 terminated job records were not updated in PeopleSoft until one to 98 days after the jobs were terminated due to delays of submission of forms by departments and schools.
 - Charter Schools are responsible for entering their employee termination information into the PeopleSoft HR Database. However, 60 (68%) of the 88 terminated job records were not updated in PeopleSoft until one to 118 days after the jobs were terminated.

- C. *A Dedicated Person Is Needed to be Responsible for the Information Security.* For the District, IT security related duties are assigned to individuals in combination with other job responsibilities, making it less of a priority and limiting accountability. IT experts emphasize the importance of securing computer data from unauthorized access. School Districts similar to ours (Miami Dade and Broward) have a dedicated person to oversee the security program across the District's enterprises.

Several findings and recommendations have been redacted from the report in accordance with *Florida Statute 282.318(4)(g)*.

3. Audit of Alternative Education Programs, Report No. 2016-11.

The audit of Alternative Education Programs covered the period July 1, 2015, through April 30, 2016. The primary objectives of the audit were to evaluate the program's compliance in (1) assigning students to Alternative Education Schools, and (2) providing services and program components to students accordingly. This audit produced the following major conclusions:

- A. *No Exceptions Noted in Instructional Time Requirements.*
- B. *No Exceptions Noted for Interim Alternative Educational Setting (IAES) Placement Duration.*
- C. *87 (13%) of the Students Withdrawn From Sending Schools, But Not Registered at Receiving Schools.* During July 2015 through April 2016, a total of 654 students were enrolled in Alternative Education Programs. The review of assignment history of these 654 students disclosed that 87 (13%) of the students were withdrawn from their "home schools", but were not enrolled at the alternative schools until after one to 85 school days, with an average of seven school days. Consequently, these 87 students did not receive the mandated schooling services for an average of seven school days, while transferring from their "home schools" to an alternative school.
- D. *Documents Not Maintained for Students Exiting the Programs.* A total of 160 students exited Alternative Education Programs during July 2015 and April 2016. The review of records for 13 sample students found that (a) there were no *Student Support Plans (PBSD 2007)* on file for all the 13 sample students, and (b) two of the 13 sample students were in the Behavior Intervention Program but did not have the required *Exit Criteria Checklist*. The *Student Support Plan* should contain the recommended educational strategies for the receiving school to assist the student for success. The *Exit Criteria Checklist* contains the information as a reminder for staff to ensure all the required records are completed and that the student has met the requirement for exiting the Behavior Intervention Program.
- E. *Missing Documentation of Academic Assistance and Support Services for ESE Students.* During July 2015 and April 2016, a total of 151 Exceptional Student Education (ESE) students enrolled in Alternative Education Programs. Based on the *Individual Educational Plans (IEP)* for 54 sample ESE students, there should be a total of 963 required monthly reports, such as *Consultation Logs, Support Facilitation Logs, and Speech & Language Therapists Logs, etc.*, maintained on file during the students' enrollment periods. However, 626 (65%) of the 963 required reports were missing and not available for our review.



Financial and Compliance Audits of School Internal Funds (Report No. 2017-05)

The Annual Audit of the Internal Funds Accounts of the 175 District Schools and the Combined Statement of Changes in Fund Balance-Cash Basis for the Year ended June 30, 2016, was conducted pursuant to the *Florida State Board of Education, Administrative Rules 6A-1.087(2)*. Results of Fiscal Year 2015/16 Audits of the internal funds accounts for District schools are provided below.

Collectively, 557 findings were issued for the 175 schools. The five top finding areas included:

1. Fundraisers not adequately documented (occurred at 110 schools).
2. *Drop-safe Logs* not properly completed and maintained (occurred at 59 schools).
3. Disbursements without adequate supporting documentation (occurred at 54 schools).
4. *Lease Agreements* not properly completed and maintained for community use of school facilities (occurred at 36 schools).
5. Monies not deposited timely (occurred at 35 schools)

Other major findings for the audits of the 175 Schools include:

- A. The management letter discloses that 28 Schools had no findings; 5 of the schools had no findings for 2 consecutive years.
- B. Disbursement
 - Disbursements not properly documented or approved
 - Vendors allowed on campus without Consultant Contract
- C. Money Collections
 - Inadequate fundraising documentation
 - Noncompliance with cash collection and deposit procedures
 - Monies not deposited timely as required by Florida Department of Education Rules and District procedures
- D. Leasing of School Facilities
 - *Lease Agreement* not properly signed
 - Late payments from lessees
 - Inadequate Proof of Insurance submitted by Lessees
- E. Segregation of Duties
 - Staff performing incompatible duties
- F. Other Emerging Issues
 - Access to online training by district volunteers
 - Training to be completed prior to sponsoring activity
 - Documentation for Give-Away Items
 - Two signers for *Section 2* of *Drop-Safe Log*



ECONOMIC IMPACT

Value Added to the School District by OIG during FY2016-2017

AUDITS OR INVESTIGATIONS	FISCAL IMPACT	
	Increase in Revenues / Decrease in Costs	Questioned Costs/Expenses
FINANCIAL AND COMPLIANCE AUDITS:		
Estimated Revenue Increase in School Facility Leasing Program	\$588,678	
2016 Internal Funds Audits	50,332	\$326,284
Subtotal	\$639,010	\$326,284
PERFORMANCE & SPECIAL REQUEST AUDITS:		
Special Review of Palm Beach Gardens Elementary School	\$15,879	
Audit of Eagle Arts Academy Charter School		1,376,029
Audit of Fuel Inventory Controls		1,357,709
Audit of P-Card Expenses for Selected Departments		7,286
Audit of District's Take-Home Vehicles		123,216
Audit of Construction Contract for Glade View Elementary Modernization		2,391,729
Subtotal	\$15,879	\$5,255,969
INVESTIGATIONS:		
Case #13-094 Disposal of Information Technology Hardware		\$1,800,000
Case #15-223 Bak Middle School of the Arts		66,000
Case #15-268 Unauthorized Purchases at Sam's Club and Costco		13,342
Case #15-321 South Florida Virtual Charter School		75,000
Case #15-337 Florida Futures Academy Charter School		57,600
Case #16-444 Merit Pay – Watson B. Duncan Middle		735,875
Case #16-539 Athletic Supplements – Pahokee Middle/Senior High School		30,025
Total for Cases #16-458, #16-478, #16-497, #16-507, #16-551, #16-556, and #17-562)		13,284
Subtotal		\$2,791,126
TOTAL FISCAL IMPACT FOR FY 2016-2017	\$654,889	\$8,373,378

Sources: FY 2016-2017 Audit and Investigation Reports, and Revenues Analyses.

Estimated Increase in School Facility Leasing Revenue

The estimated \$588,678 increase in revenue from the school facility leasing program represented the increase of revenues collected during Fiscal Year 2016-2017 over the 10-year average annual collections during the previous 10 years, adjusted for inflation. We believe that improved controls resulting from implementing audit recommendations as part of the audit and investigative processes are key factors contributing to increased revenue collections. Although there could be other factors contributing to the increase in revenue, such as improved economy and employment, etc., such factors could not be determined at the time when this analysis was conducted.

Audit Recommendations to Improve Controls, Efficiency, Effectiveness, and Program Results

During Fiscal Year 2017, our audits produced 601 audit findings and 661 recommendations for improvements: 157 in internal controls; 484 in compliance; and 20 in efficiency, effectiveness, and program results.

Benefits of Investigative Functions

The OIG investigative function serves to promote and reinforce a culture of transparency and compliance throughout the District, and has a far-reaching deterrent effect on illegal and improper acts. Through the creation of this independent investigative function, the School Board reinforced to employees, the public, and other stakeholders the expectations of sound financial stewardship and adherence to applicable laws, School Board Policies, District procedures, and other rules.

OIG investigations are designed to independently communicate relevant facts so that both District administration and the School Board can evaluate and, when necessary, make fully informed decisions regarding issues raised.

Investigations present the opportunity for the District to identify and stop inappropriate conduct, correct identified problems before they worsen, reduce future exposure, and frequently result in the discovery of valuable information beyond the scope of the initial allegations.

As a result of the investigations finalized between July 1, 2016 and June 30, 2017, the Investigations Unit issued 15 recommendations related to the investigations.



In General

The Association of Inspectors General’s *Principles and Standards for Offices of Inspector General* and the United States Government Accountability Office *Government Auditing Standards* require the OIG to establish procedures to ensure adequate quality control over its work and to maintain a quality assurance program. Quality control is the process by which supervisors, as the Director of Audit or the Director of Investigations, ensure that the work of their immediate staff meets professional standards. Whereas, a quality assurance program is a formal and distinct, evaluative process conducted external to the audit or investigative units to ensure that all of the OIG work adheres to established OIG policies and procedures, meets established standards of performance, and is carried out economically, efficiently, and effectively. Quality control is met by the Director or a Supervisor ensuring that audit reports are properly referenced to working papers. Whereas, an independent review, by an employee not working in the area or being supervised by the director, or by a team of external reviewers, would meet the standards related to quality assurance.

In accordance with the above standards, School Board Policy 1.092 requires OIG audits, investigations, and inspections to be completed in accordance with professional standards. The policy also requires the work activities of the OIG to be “subject to periodical quality assurance or peer review by a group of its peers”.

Professional Development/Certifications/Training

The Compliance and Quality Assurance function monitors and helps to acquire training and education for staff to ensure compliance with the Continued Professional Education (CPE) requirements outlined by *Government Auditing Standards* and *Principles and Standards for Offices of Inspector General*.

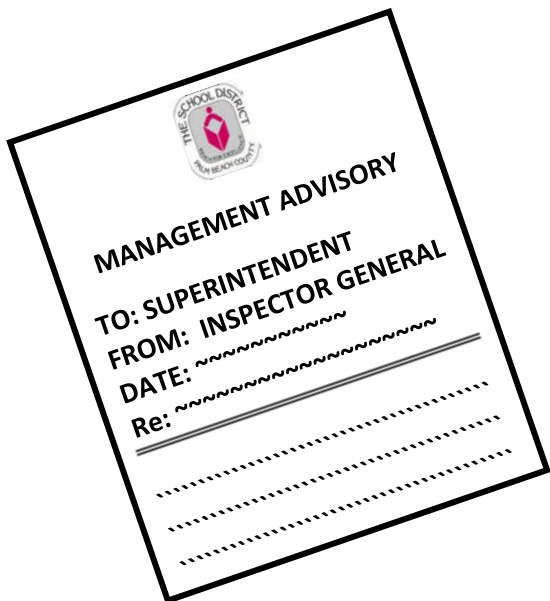
The OIG encourages all staff members to obtain professional certifications and continuing education in order to enhance their professional skills. The OIG and its staff are members of the Association of Inspectors General (AIG), a national organization of state, local and federal Inspectors General and their staffs. During FY 2016-17, two (2) OIG staff received the designation of *Certified Inspector General Investigator*, one staff member received the designation of *Certified Inspector General Auditor*, and one staff member received the designation of *Certified Inspector General* after undergoing training and testing by the AIG.

To provide CPE classes for staff in an economical manner, several group training opportunities were provided for staff as outlined below. The webinars are provided in-house through our office, at minimal or no cost. Seminars were provided by other sponsors.

OFFICE OF INSPECTOR GENERAL GROUP TRAINING ACTIVITIES			
DATE	TOPIC	TYPE	# OF OIG STAFF
7/12/16	Audit Report Writing-Tools for Enhancing Reader Comprehension	Webinar	1
8/2-8/4/16	The Reid Technique of Investigative Interviewing and Advanced Interrogation	Seminar	2
10/11/16	Common Uses in Performance Audits	Webinar	10
10/11/16	Stratified Random Sampling	Webinar	1
10/12/16	Investigation Report Writing: A Nuts and Bolts Approach	Webinar	1
10/21/16	Technology Fraud Risks Prevention and Detection	ACFE Training	2
11/18/16	2016 ACFE & ACAMS Joint AML/Fraud Conference	Miami	1
11/29/16	Fraud, Forensics and Facts – Auditing-Governmental	Webinar	
12/02/16	Fraud Awareness Briefing by OIG of US DOE	West Palm Beach	12
12/13/16	Conducting Difficult Audit Interviews	Webinar	
1/17/17	Performance Management, Approaches & Observations	Webinar	6
1/20/17	IIA Seminar – Changes to the Professional Standards	Seminar	6
2/17/17	IIA Seminar – Fraud	Seminar	11
3/1/17	GAO’s Yellow Book Exposure Draft What Changes are Ahead	Webinar	7
3/7/17	Investigations 0-60	Webinar	
3/2017	Association of Inspectors General Institute	Certification	4
3/31/17	Construction Auditing	Seminar	13
4/4/17	Auditing – Governmental	Webinar	11
6/8/17	RSM’s Annual Florida Governmental Sector Educational Seminar	Seminar	11
6/20/17	Assessing Fraud in Engagement Planning	Webinar	8
2/15-17/17	Secretarial Leadership Conference	St. Augustine	1
3/8/17	Excel vs Data Analysis Software	Webinar	
3/27/17	Detecting and Preventing Payroll Fraud	Webinar	1
4/21/17	ACFE Training – Criminal Investigations	Port St. Lucie	1
5/19/17	PBC IIA IT Governance, Risk and Compliance Conference	Ft. Lauderdale	1
6/2/17	IIA-Miami Workshop- The Audit Lifecycle-Risk Assessment	North Miami	1
7/20/17	IT Fraud Series: IT Fraud and Countermeasures	Webinar	1

Management Advisories

During Fiscal Year 2016-2017, the OIG issued two management advisories while conducting an audit, review or investigation. Management advisories are provided when the Inspector General believes matters have been discovered which requires management’s immediate attention and action. The Inspector General issued two management advisories relating to bus safety inspections and internal funds.



The *school bus safety inspection* issued to management on June 9, 2016 and September 21, 2016 addressed non-working child reminder systems and video surveillance cameras discovered during the OIG’s Audit of District’s School Bus Safety Inspection and Maintenance, Audit No. 2017-03. A summary of the audit is located on page 26 of this report.

While conducting the annual audits of Internal Funds, the OIG observed four emerging issues related to the internal accounts of District schools. The four issues were as follows: need for volunteers’ accessibility to online training for internal accounts and fundraising sponsors’ training before fundraising activity starts; failure of schools to maintain documentation for give-away items; and, proper completion of Drop-safe Log by the required two signers.

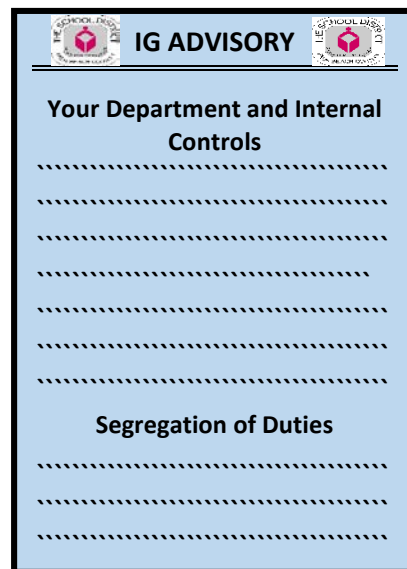
The IG Advisory

The *IG Advisory*, a publication of the OIG, was published and distributed twice, one in August 2016 and one in March 2017.

The *IG Advisory* of August 2016 focused upon how to prepare for an audit, including preparation suggestions, tips and expectations; steps in the audit process; and, benefits of an audit.

OIG’s March 2017 *IG Advisory* focused upon identifying and preventing fraud; addressed how internal controls help prevent fraud; and fraud related data reported in the *2016 Report to the Nations on Occupation Fraud and Abuse* published by the Association of Certified Fraud Examiners.

The IG Advisory is provided to School Board members, the Superintendent, Audit Committee members, District and school administrators, and department and program directors.





Authority

The Audit Committee was established in 1993 by the School Board, to promote the independence and objectivity of the audit function. Today, the Audit Committee serves on behalf of the School Board as its oversight of the Inspector General, internal audit and investigation functions. School Board Policy **1.091** provides for the composition and appointment of the Audit Committee; outlines the committee's authority and general responsibilities; and, sets out the committee's responsibilities in the areas of financial reporting, compliance and governance.

In addition, Section 218.391, Florida Statutes provides some duties for the Audit Committee also, including:

- Establishing factors to use for the evaluation of audit services to be provided by an external audit firm.
- The committee's roles and responsibilities in the announcement and recommendation of an external auditor to the School Board.

Meetings

During Fiscal Year 2016-17, the Audit Committee held 10 meetings. During such meetings, the committee

- Received special reports from District staff on matters as the use of credit cards in lieu of cash in schools, Drop safe Log procedures, piggy back contracting, fuel control procedures, etc.
- Reviewed District's audit plan as submitted by the District's external auditor, RSM US LLP.
- Reviewed District's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 30, 2016, submitted by Superintendent and Chief Financial Officer.
- Participated in the development of the solicitation and the selection of the District's external auditor for the completion of the District's audit as required by Sec. 218.415, FS.
- Reviewed and approved the audit procedures of OIG.
- Reviewed District's audit plan as proposed by the external auditor, RSM US LLP.
- Received a report on the statutorily mandated audits of District charter schools.
- Reviewed OIG's work plans for FY 2016/17 and 2018/17.
- Reviewed and approved 9 performance audits and reviewed reports completed by OIG.
- Received 23 investigative reports completed by OIG

APPENDIX



OIG Responsibilities

The School Board of Palm Beach County created the Office of Inspector General, in December 2011, upon adoption of *School Board Policy 1.092*. The policy became effective upon the School Board's hiring of the Inspector General in August 2012.

The School Board of Palm Beach County established the Office of Inspector General (OIG) to:

- Incorporate a full time program of investigation, audit, inspection, and program review.
- Provide increased accountability and promote fiscal responsibility.
- Assist management in the establishment and maintenance of effective systems of control, and provide increased oversight in improving District operations.
- Assist in improving operations, including deterring, and identifying fraud, waste, abuse, and illegal acts.
- To conduct whistleblower investigations.

In carrying out our responsibilities under *School Board Policies 1.092, 1.091, 2.61, 2.62 and 3.28*, the OIG:

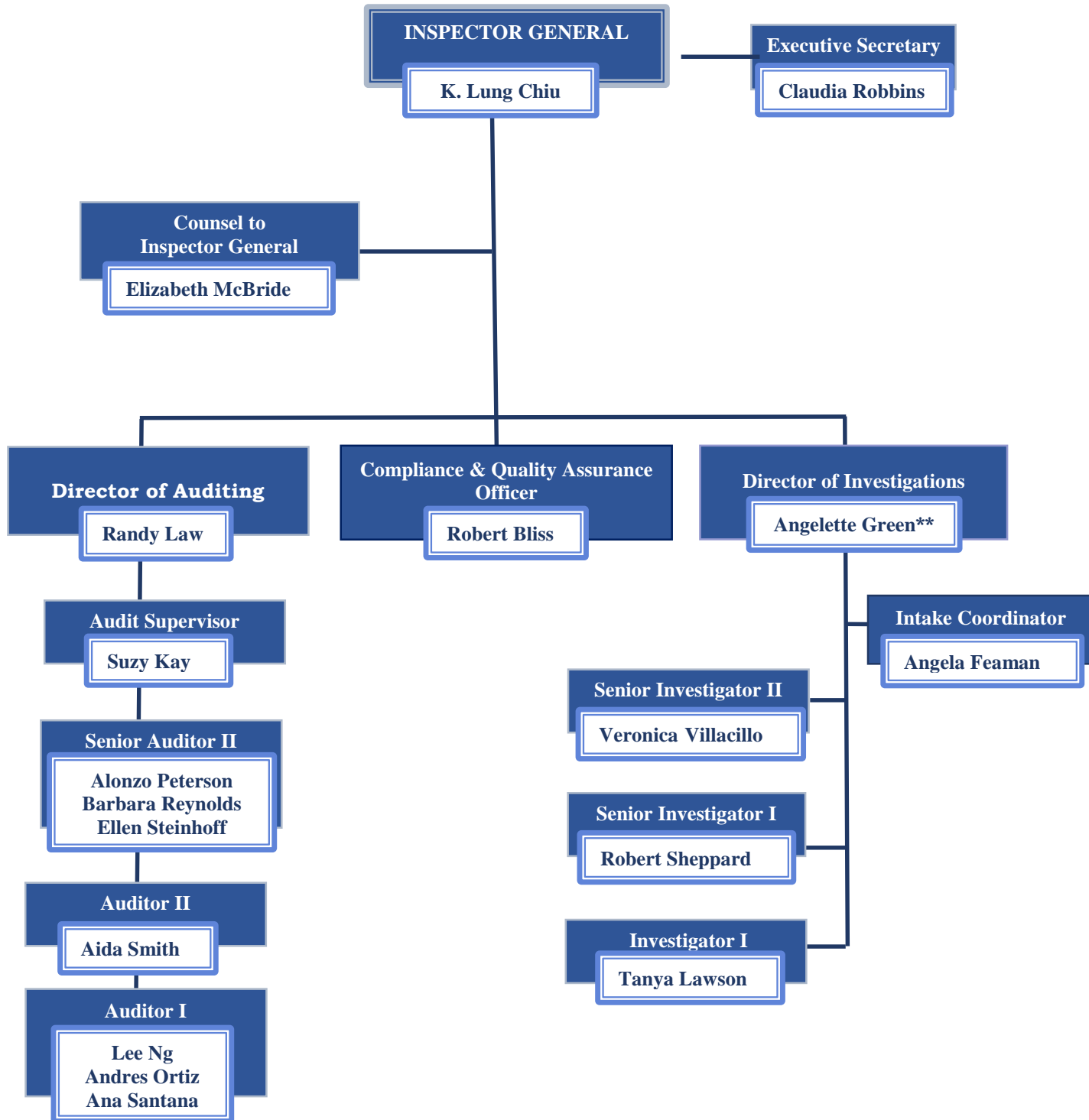
- Maintains an independent objective organization to conduct audits, reviews and investigations.
- Receives and investigates complaints related to our jurisdiction granted by policies.
- Reports all possible criminal violations to School Police or the appropriate law enforcement agency.
- Submits audit, review and investigative reports and recommendations, if appropriate, to the School Board, School Superintendent and Audit Committee members.

School Board Policy 1.092 serves as the OIG Charter. Some of the key provisions of the policy authorize the Inspector General to:

- Audit and investigate matters within the District, as well as vendors/contractors that do business with the District.
- Have immediate, complete and unrestricted access to all District papers, books, records, reports, information, personnel, processes, data, etc.

The OIG reports directly to the School Board to ensure the necessary independence. OIG staff consists of a skilled team of professionals, including an attorney, with expertise in internal auditing, reviews and investigations. The OIG is organized into three areas: audits, investigations, and compliance and quality control and assurance.

OIG Organizational Structure



**Ms. Green was director for FY 16-17. She retired in July 2017.

OIG Staff

The OIG's most valuable assets is our staff. The OIG has a highly educated professional staff where all of the professional staff have at least a four-year degree, and most have either advanced degrees or one or more professional certifications in their areas of expertise. Thus, OIG staff not only have the necessary level of skills, abilities and experiences for their respective roles, but they also reflect the diversity of the Palm Beach County and District communities.

Staff members have background and academic degrees in:

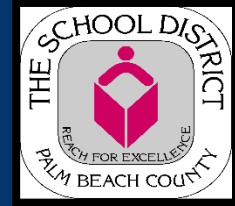
- Accounting
- Business Administration
- Business Management
- Computer Science
- Information Systems
- Management Information Systems
- Finance
- Criminal Justice
- Organizational Management
- Organizational Leadership
- Law
- Law Enforcement
- Public Policy Management
- Ethics & Compliance
- Human Resources Management

The various certifications and licensures held by staff members include more than 25 professional certificates, including:

- Certified Inspector General (CIG)
- Certified Inspector General Auditor (CIGA)
- Certified Inspector General Investigator (CIGI)
- Certified Public Accountant (CPA)
- Certified Internal Auditor (CIA)
- Certified Fraud Examiner (CFE)
- Certified Information System Auditor (CISA)
- Chartered Global Management Accountant (CGMA)
- Certified Management Accountant (CMA)
- Member of Florida Bar and State Bar of Georgia

Recent Certifications of OIG Staff

During the week of March 20-24, 2017, we had four staff members attend the AIG Inspector General Institute® in Jacksonville, Florida. One staff member earned Certified Inspector General (CIG), two staff members earned Certified Inspector General Investigator (CIGI), and one staff member earned Certified Inspector General Auditor (CIGA).



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