

Office of Inspector General SEMI-ANNUAL REPORT

APRIL 2017

MISSION STATEMENT

The School Board of Palm Beach County is committed to providing a world class education with excellence and equity to empower each student to reach his or her highest potential with the most effective staff to foster the knowledge, skills, and ethics required for responsible citizenship and productive careers.

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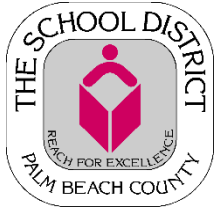
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*Note: *Members of the Audit Committee during the relevant period, July 1 through December 31, 2016 of this report. ** Members during the relevant period of this report and its publication. *** Members at the time of publication.*



**SCHOOL BOARD OF PALM BEACH COUNTY
OFFICE OF INSPECTOR GENERAL**

Message from the Inspector General

April 18, 2017

Chair and Members of School Board of Palm Beach County
Superintendent of Schools
Chair and Members of Audit Committee

I am pleased to present to you our office 2017 Semi-annual Report for the period July 1, 2016 through December 31, 2016. This semi-annual report is intended to capture and summarize our activities for this time period, and highlight accomplishments achieved by the office during this six month reporting period. Thus, this semi-annual report is not as extensive as the annual report you will receive during the summer.

As you are aware, the Office of Inspector General is required to provide only an annual report. However, we believe it is in the best interest of the organization to provide this interim, semi-annual report to keep all of us abreast of any possible patterns or trends of activities that might relate to fraud, waste, abuse, and fiscal/financial misconduct that may adversely affect the District in accomplishing its mission.

Since the publication of our 2016 Annual Report, we have met with a member of the U.S. Department of Education Office of Inspector General, Jason Williams, who has been assigned to the South Florida regional, sharing ideas and efforts in how to protect our students' best interests.

Sincerely,

K. Lung Chiu
Inspector General

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INVESTIGATIONS



Organizational Functions and Structure

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

The Investigations Unit reviews all complaints, and makes a determination as to whether such complaints fall within the jurisdiction of OIG or should be referred to another District office. For all matters referred to other District offices, the unit obtains periodic follow-ups on the status of the complaints.

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

Types of Allegations

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:



FRAUD

A willful or deliberate act or omission designed to unlawfully deprive the District through an unauthorized benefit, service, property, or something of value by deception, misrepresentation or other unethical or unlawful means.

1

Examples:

- Authorizing or receiving compensation for time not worked.
- Falsifying financial records or payroll information to cover up a theft
- Fraudulent travel reimbursements, or other expense reimbursements
- Intentionally misrepresenting the costs of goods or services provided
- Offer, payment or acceptance of a bribe or gratuity
- Product substitution
- Bid fixing or rigging
- False statements or claims
- MWBE Fronts
- Kickbacks

WASTE

2

An act of using or expending District resources unreasonably, carelessly, extravagantly, or for no useful purpose.

Examples:

- Purchase of goods, equipment, supplies, or services at inflated prices
- Purchases of an excessive amount of goods or equipment which are not timely placed for employees' use, resulting in such goods becoming obsolete
- Purchase of unneeded supplies or equipment
- Inadequate oversight or mismanagement of District resources
- Failure to reuse major resources or reduce waste generation

ABUSE

3

The intentional or improper use or destruction of District resources that can include the excessive or improper use of one's position, in a manner contrary to its rightful or legally intended use, or the misuse of authority or position in wrongdoing that had an impact on either the complainant (adverse loss) or subject (personal gain).

Examples:

- Misuse of authority or position for personal financial interests
- Administrative, managerial or supervisory personnel requesting support worker to purchase his or her lunch and failing to reimburse the support workers.
- Improper hiring practices
- Misuse of District resources, including assets or funds, equipment or supplies, personnel and property to secure an unfair or personal gain

FISCAL MISCONDUCT

4

The deliberate action by an individual to misrepresent or conceal the facts of a business transaction.

Examples:

- Fraud
- Embezzlement
- Theft of goods or services
- Misappropriation of District funds, goods, property (including intellectual property), services or other resources
- Improper handling or reporting of financial transactions
- Authorizing or receiving compensation for goods not received or services not performed
- Diversion of District assets
- Use of District's facilities, equipment or personnel for personal gain

FINANCIAL MISMANAGEMENT

5

Financial mismanagement that results in financial loss to the District may also constitute fiscal misconduct. Acts of financial mismanagement which may constitute fiscal misconduct include the following:

Examples:

- Financial mismanagement that results in a material financial risk to District
- Failure to reasonably safeguard District assets
- Failure to properly supervise budgets under one's control
- Failure to adhere to applicable Board policies, if such failure leads to financial loss to the District to jeopardize District resources
- Manipulation of District data and documentation to allow spending where funds do not exist
- Intentionally misreporting District transactions
- Knowingly violating District financial policies

WHISTLEBLOWER



COMPLAINTS

6

The Florida Public Sector Whistleblower Act (FWA) and Board Policy 3.28 prohibit the District and its independent contractors from taking retaliatory action against employees who make certain “protected disclosures” to the District or its contractors.

What are “Protected disclosures”? “Protected disclosures” show that the employee,

1) Disclosed a *violation or suspected violation* of a law, rule, or regulation ... which presents a *substantial danger* to the public or students’ health, safety or welfare. OR

2) Disclosed an *act or suspected act of gross mismanagement, malfeasance, misfeasance, waste of funds, or gross neglect of duty.*

Example of Protected Disclosure:

** Giving information in a confidential inquiry, as the FWA and Board policy protect individuals who make a disclosure of eligible information when requested to participate in an investigation, hearing or other inquiry conducted by the District.

Examples of a Non-Protected Disclosure:

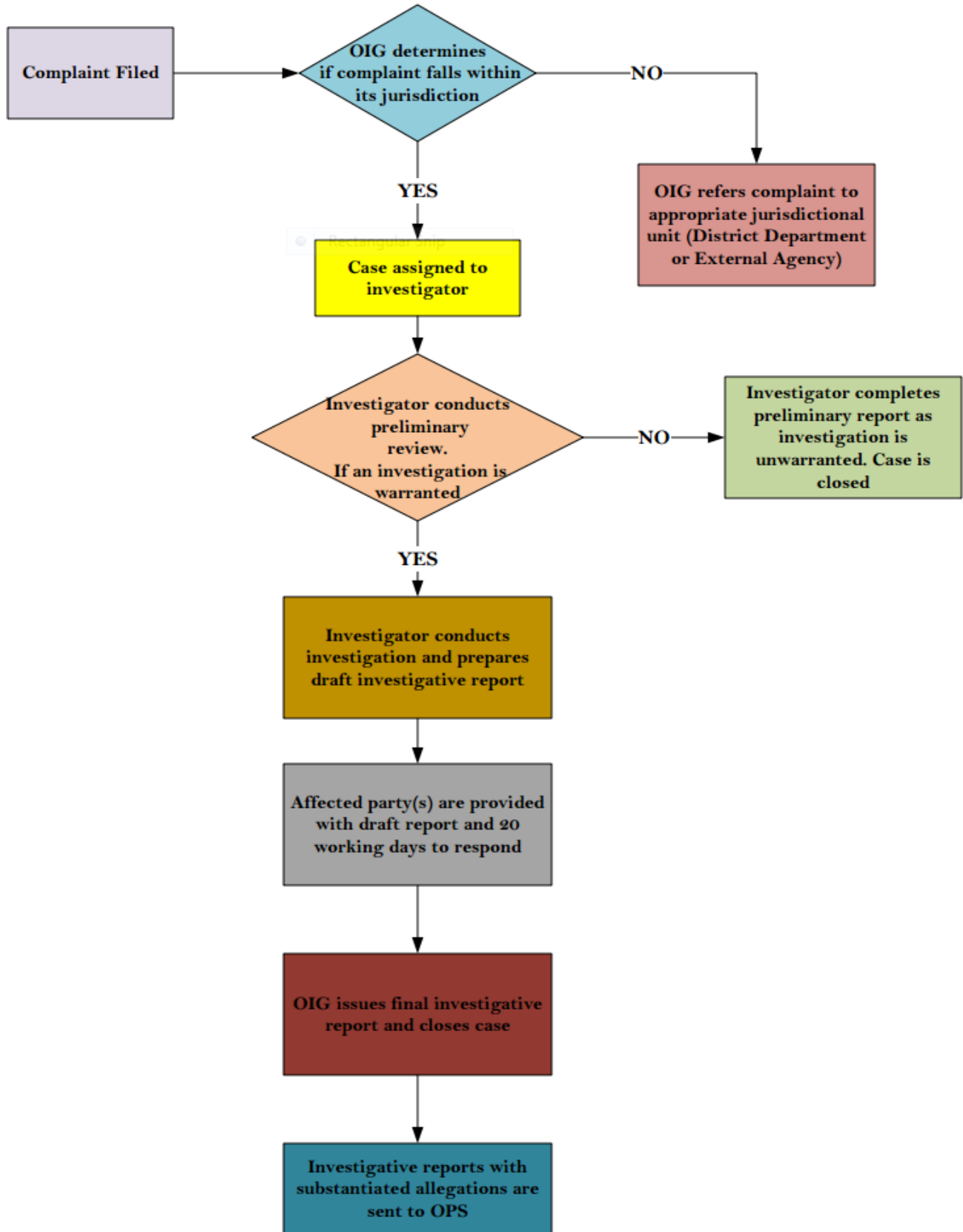
** A communication expressing displeasure or memorializing an internal dispute, as such does not constitute a report of unlawfulness.

** Complaint that employee was engaged in dual employment does not state a claim under FWA or Board policy, as the violation does not present a substantial and specific danger to public health, safety or welfare.

Exclusions: FWA and Board policy do not protect a person who:
(1) commits or intentionally participates in committing the violation; or
(2) discloses information s/he knows to be false.

Prohibited Acts: (1) Taking “adverse personnel action” against an employee based on the employee engaging in the “protected disclosure”.
(2) Taking any adverse action that affects the rights or interests of an employee in retaliation for the person’s disclosure of the information.

Filing a Complaint

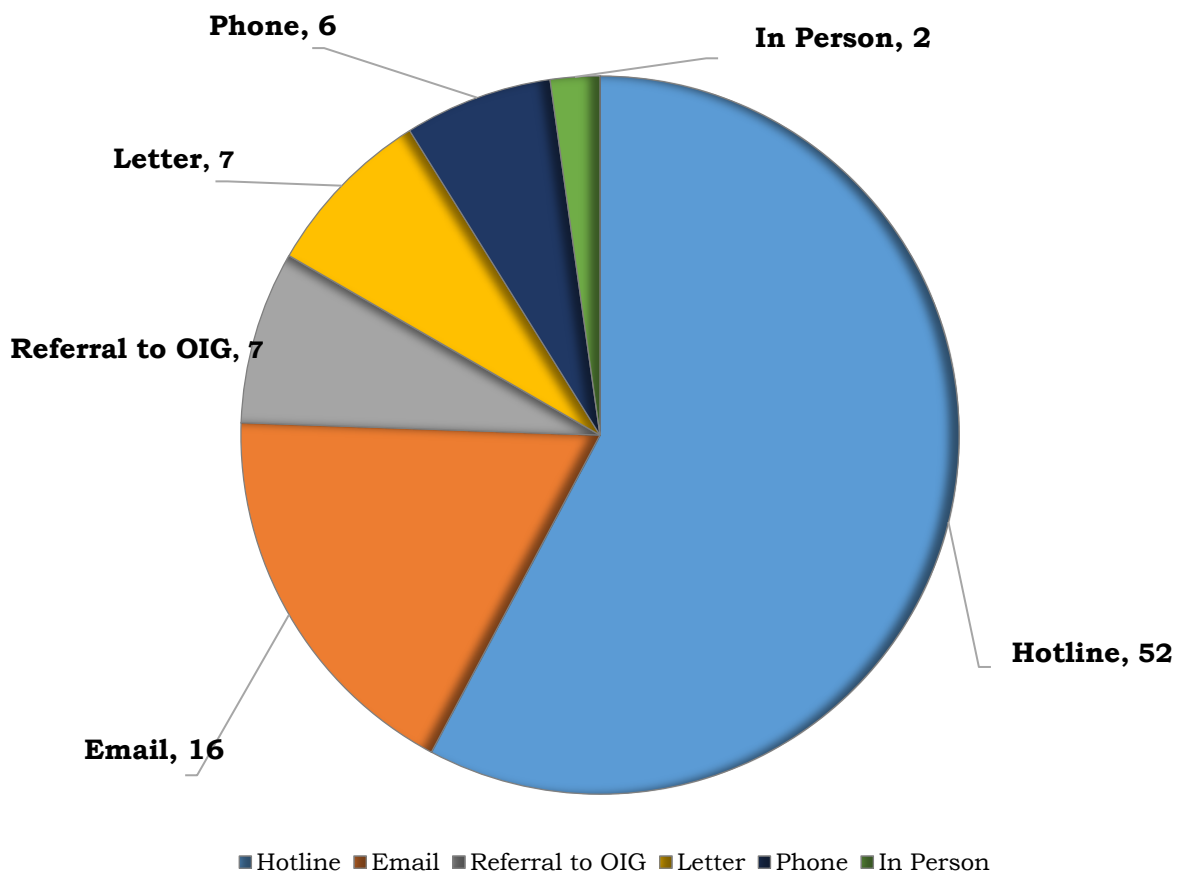


Statistical Summary for July 1, 2016 through December 31, 2016 Investigations

During the six-month period, July 1, 2016 through December 31, 2016, the OIG's Investigative Unit received and processed 90 complaint intakes, completed 19 preliminary reviews, and released 8 investigative reports. Since November 2012 through December 31, 2016, five hundred sixty-seven (567) complaints have been received by the OIG.

The above noted ninety (90) complaints were received by the OIG through the following channels:

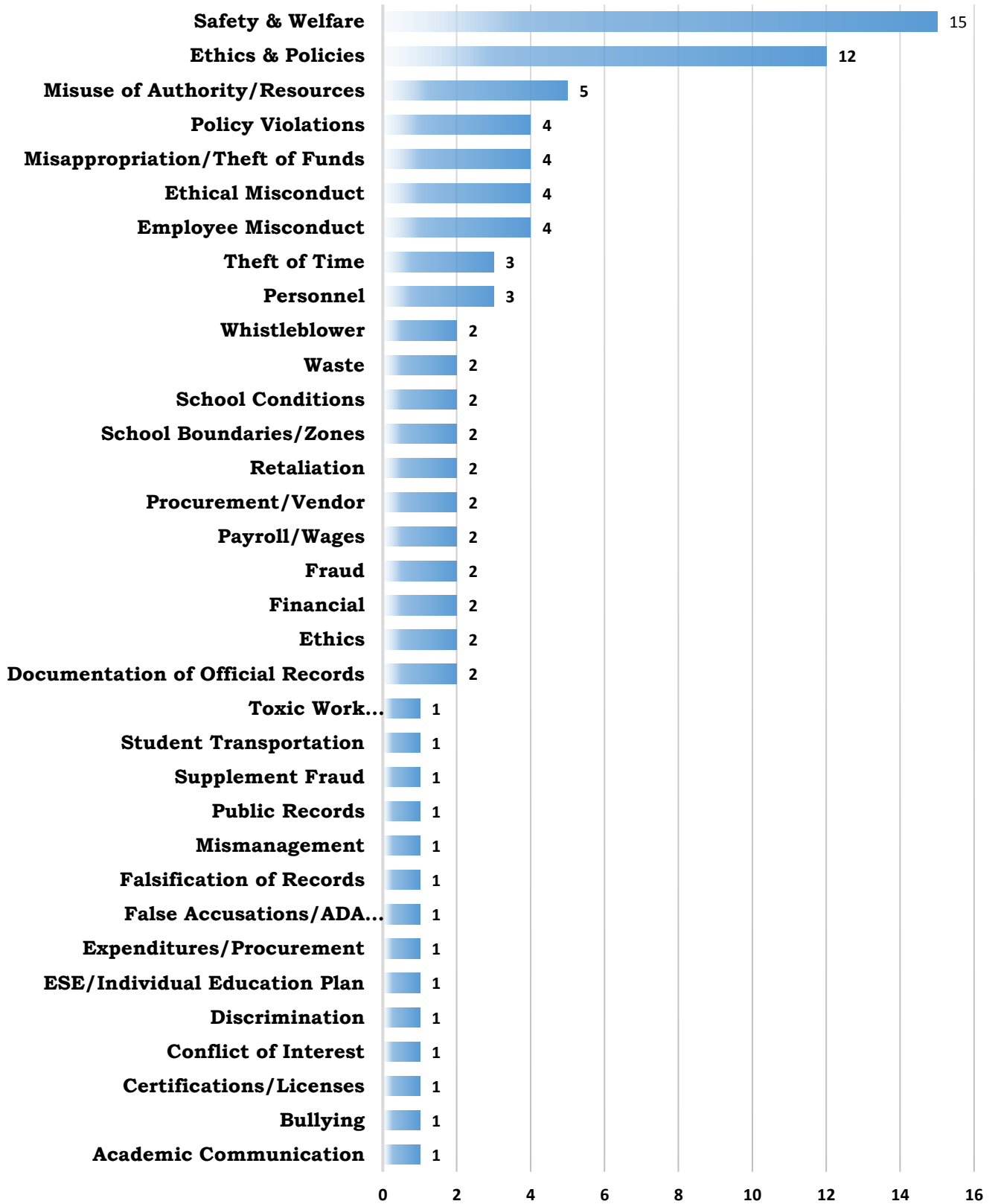
**Methods in which Complaints were Received from
July 1, 2016 through December 31, 2016**



Since the inception of the Hotline in March 2013, the Hotline has continued to be the preferred method of reporting. 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.

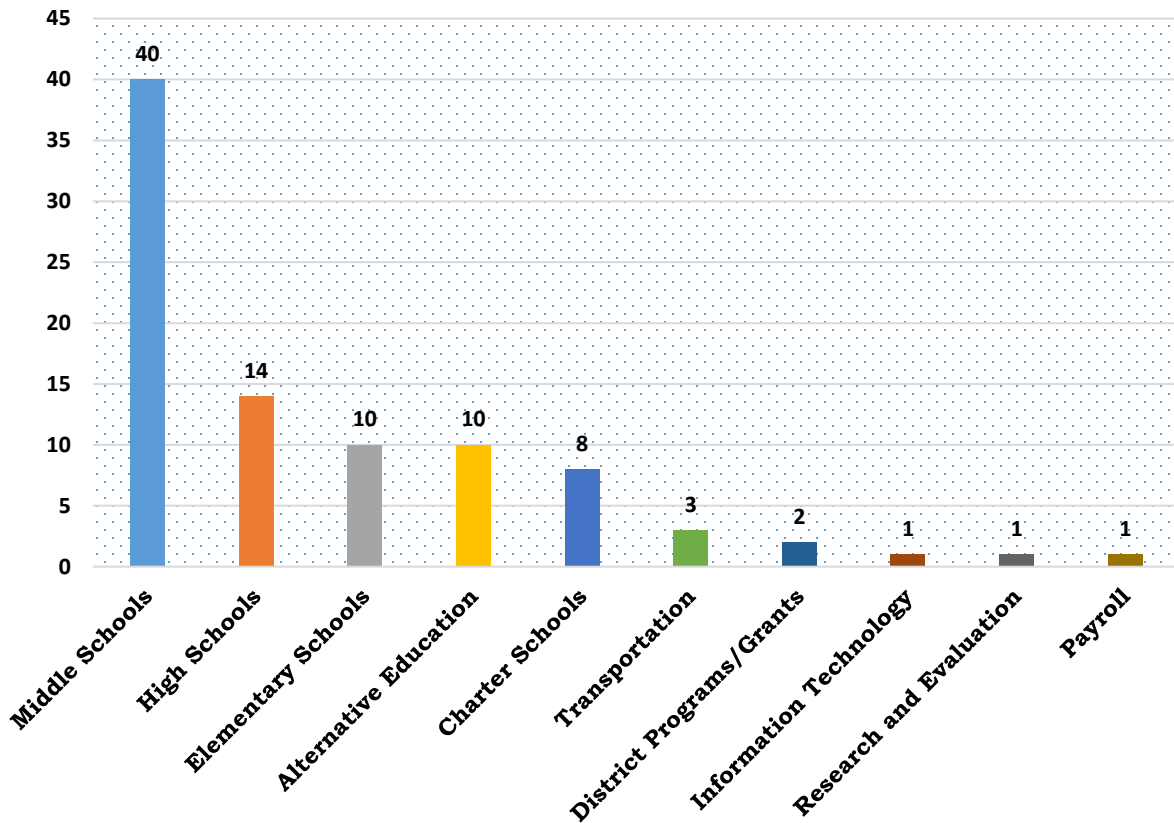
General Nature of Received Complaints

The **general nature** of the ninety (90) complaints are reflected below:



Complaints by Schools/Departments/Programs

Of the 90 complaints received, 74 related to school settings and alternative education sites.



Status of Complaints Received

Of the 90 complaints received during the first half of Fiscal Year 2016-17, action by the OIG in response to these complaints are reflected below:

| COMPLAINT STATUS: July 1, 2016 – December 31, 2016 | | |
|---|--|----------|
| Action | # | |
| Referred to other Departments | 66 | |
| Retained and Closed After Preliminary Review by OIG due to: | No Violation/Wrongdoing | 7 |
| | No Jurisdiction | 1 |
| | Lack of Evidence | 1 |
| | Reviewed/Action by Another Department | 1 |
| Retained and Closed by OIG After Publication of Final Investigative Report | 1 | |
| Retained, Open Investigations by OIG** | 11 | |
| Partially Referred to Other District Units** | 2 | |
| TOTAL | 90 | |

** The complaints "Retained" or "Partially Referred" by OIG include allegations falling within OIG's jurisdiction for review and investigation, and allegations falling within the jurisdiction of other District units.

Referred Complaints

Sixty-eight complaints were referred *either in whole, or in part*, to various District departments, as reflected below:

| REFERRED DEPARTMENT/WORK UNIT | No. |
|---|-----------|
| Office of Professional Standards/Human Resources | 17 |
| Student Services, Equity & Access | 9 |
| Chief Operating Office | 8 |
| Charter Schools | 7 |
| Chief Academic Office & Office of Professional Standards | 5 |
| Planning | 4 |
| School Police | 2 |
| Chief Academic Office | 2 |
| Chief Information Office | 2 |
| Superintendents (Regional/Instructional) | 4 |
| Chief Operating Office & School Police | 1 |
| Deputy Superintendent Office | 1 |
| Deputy Superintendent Office & School Police | 1 |
| School Police & Food Services | 1 |
| General Counsel | 1 |
| Professional Growth | 1 |
| OIG – Audit Unit | 1 |
| Risk Management | 1 |

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 a periodic report of office activities contain “a summary of civil and administrative referrals and the results from such referrals.”

Resolutions of Referred Complaints

As of December 31, 2016, the OIG received resolution for 14 complaints that were referred during the first half of FY 2016-17, as reflected below.

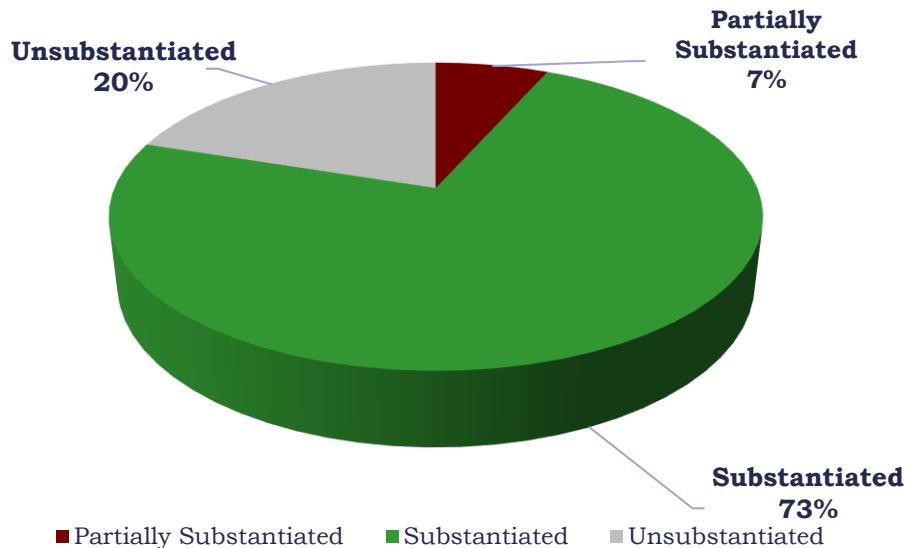
| REFERRED DEPARTMENT | NATURE OF COMPLAINT | RESOLUTION |
|--|-------------------------------------|--|
| Student Services, Equity & Access (SSEA) | Personnel-Staffing | Unsubstantiated; New protocols created |
| Student Services, Equity & Access (SSEA) | Misuse of resources - mismanagement | Monitoring systems are being created in order to ensure quality control within each. New protocols are being created and closely meeting with Directors in order to provide coaching and feedback. |
| 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. |
| Office of Professional Standards | Employee Misconduct | No Jurisdiction |
| Charter Schools | Certification/Employee Misconduct | Charter is working with Administrator to correct the problem. |
| 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 |
| Information Technology | Ethics | Meeting held |
| School Police | Student Safety | Complaint was turned over to the Division of Professional Standards for an administrative disposition. |
| Charter Schools | Ethics & Policies | Principal provided written documentation of procedures. |
| School Police & School Food Service | Documentation of Official Records | Per USDA guidelines, for the first days of school the status will remain as last year. |
| Office of Professional Standards | Policy Violation | Case referred to OIG by OPS, returned to OPS due to no jurisdiction. |
| Alternative Education | Student Safety | Matter was handled by WPB Police. |
| Human Resources | Employee Wages | Issue was recognized by management and the complaint noted. |
| Planning and Intergovernmental Relations | School Boundary Violations | Same student in a previously resolved case. |
| Central Region Superintendent | Policy Violation | Parent Volunteers were teaching the science labs instead of just helping. |
| Central Region Superintendent | Policy Violation | Children hardly if ever go to recess |

Status of Complaints Remaining with OIG Carried Forward

| | FY 2013/14 | FY 2014/15 | FY 2015/16 |
|---|-----------------------|-----------------------|-----------------------|
| OIG Carried Forward | 15 | 20 | 23 |
| OIG Closed after Preliminary Review | (10) | (8) | (5) |
| OIG Closed after Investigative Report | (1) | (1) | (5) |
| OIG Closed for Insufficient Information or No Bases to Move Forward | (4) | (4) | (1) |
| OIG Turned Over to Another Department or Unit | 0 | (4) | (2) |
| OIG Lacked Jurisdiction | 0 | (1) | (1) |
| Remain Open as of 12/31/16 | 0 | 2 | 9 |

Findings for Cases Closed During July 1 through December 31, 2016

Of the eight (8) investigations closed, which included fifteen (15) allegations, during the designated reporting period, the following chart designates the percentage of allegations that were found to be substantiated versus those allegations that were found to be partially substantiated or unsubstantiated. The number of investigations closed may reflect cases that were opened in previous years.



Published Investigative Reports

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.

As a result of the investigation, OIG *recommended* the District (1) take steps to ensure the organization was in compliance with the state laws and regulations governing management and disposition of District tangible personal property; 2) suspend its business relationship with the vendor until such time a vendor is selected in accordance with the Board policies and procedures related to purchasing; and (3) ensure that District staff is trained regarding state laws and regulations, as well as Board policies, governing tangible personal property of the Board.

The results of the investigation were forwarded to the Office of Professional Standards for further review.

Case No. 15-268 Unauthorized Purchases at Sam’s Club and Costco (Palm Beach Gardens High School)

The School Principal alleged (1) the School Treasurer was making unauthorized charges and purchases at Sam’s Club and Costco, by charging personal items as foods, gas, etc. to the schools Sam’s Club and Costco credit accounts; and (2) the Treasurer’s brother, an Assistant Principal, was making unauthorized charges and purchases as food, vitamin supplements, and gourmet food products at Sam’s Club.

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.



OIG *recommendations* were (1) the Educational Alternatives Department perform an inventory of all computer equipment at its sites and consider the District's refresh program, a program that replaces systems approximately every five years; and (2) District management consider implementing record keeping procedures for assets that are still in use beyond the five year threshold.

The results of this investigation were referred to the Office of Professional Standards for further review and action.

Case No. 16-390 Teacher Certification

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)

OIG received a complaint from a soccer referee alleging that the District's coordinator for the soccer games has loaned several "thousands of dollars" to the Soccer Referees of Palm Beach County and the organization has to pay her back each summer (up to \$10,000) at a time. The soccer referees are paid by the District schools, charter schools or the private schools needing the referees' services, not by the District.

The results of the investigation concluded the 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. 16-431 (cont'd)

OIG *recommended* District management and athletic staff work together with the appropriate athletic organizations to develop a workable solution that ensures a reasonably prompt payment to referees who provide services during District soccer tournaments.

Case No. 16-458 Student Textbook Return (Palm Beach Central High School)

This investigation was commenced after 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.

A 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.

OIG recommended (1) District management review and revise District policies and procedures to include a mechanism that will provide schools and students proof and accountability when required materials are returned appropriately and timely; and (2) the school consider issuing receipts as it has done in previous years until District management revised District policies and procedures.

Case No. 16-497 Students Charged Transportation Fees By Transportation Employees (Pahokee High School)

This investigation commenced after a Human Resource Manager submitted a complaint alleging it was reported that a bus driver at Pahokee High School had charged student members of the cheerleading team a \$5.00 fee to transport them to a game.



OIG's investigation revealed that a bus driver did take money from members of the 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.

The results of the investigation were forwarded to the Office of Professional Standards for further review and action.

Charter School: 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.

OIG also questioned (1) the accuracy of the Board's financial condition reporting based upon the credits issued by K12, Inc., to maintain the school in a positive financial position; and (2) the Board's authority and autonomy to operate the school under the terms of the K12's Management Agreement.

During the investigation, the Board Chair indicated the Board supported moving forward with voluntary termination of the Charter Contract with the District since the Board could not control K12 and the existing agreement could not be terminated without costly litigation. The organization terminated its charter with the School Board on September 7, 2016.



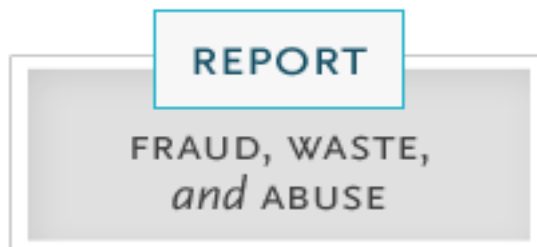
Whistleblower Complaints and Determinations

The Investigations Unit completed seven (7) whistleblower determinations for the period of July 1 through December 31, 2016. After assessing each complaint, the OIG determined that five (5) 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.

Investigative Recommendations

As a result of the investigations finalized between July 1 and December 31, 2016, the Investigations Unit issued eight (8) recommendations related to the investigations. These recommendations are outlined below, and a status report will be provided in the 2017 OIG Annual Report.

| CASE NO. | OIG RECOMMENDATIONS |
|--|--|
| <p>13-094 <i>Disposal of Information Technology Hardware</i> (Administration)</p> | <ol style="list-style-type: none"> The District takes steps to ensure the organization is in compliance with the state laws and regulations governing management and disposition of District tangible personal property. The District suspends its business relationship with the vendor until such time a vendor is selected in accordance with the Board policies and procedures related to purchasing. The District ensures that District staff is trained regarding state laws and regulations, as well as Board policies, governing tangible personal property of the Board. |
| <p>15-279 <i>Improper Use of District Property</i> (Alternative Education)</p> | <p>District management and athletic staff work together with the appropriate athletic organizations to develop a workable solution that ensures a reasonably prompt payment to referees who provide services during District soccer tournaments.</p> |
| <p>16-431 <i>District Payments to Soccer Referees</i> (Administration)</p> | <ol style="list-style-type: none"> The Educational Alternatives Department perform an inventory of all computer equipment at its sites and consider the District's refresh program, a program that replaces systems approximately every five years. District management consider implementing record keeping procedures for assets that are still in use beyond the five year threshold. |
| <p>16-458 <i>Student Textbook Return</i> (Palm Beach Central High School)</p> | <ol style="list-style-type: none"> District management review and revise District policies and procedures to include a mechanism that will provide schools and students proof and accountability when required materials are returned appropriately and timely. The school consider issuing receipts as it has done in previous years until District management revises District policies and procedures. |





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, and 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.

Performance Audits

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 was approved by the School Board is 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 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 Avossa 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 department 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 Program, 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 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 the 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 the 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.

Special Reviews

1. Special Review of Palm Beach Gardens Elementary School, Report No. 2016-06

During the *2015 Annual Internal Funds Audit of Palm Beach Gardens Elementary*, the Office of Inspector General (OIG) noted certain potential non-compliance relative to the purchase of a 3-D printer with funds provided by online donations. Subsequently, the OIG received a referral from Accounting Services Department regarding possible money missing from the school's 2015 Summer Camp Program. The primary objectives of this special review were to: (1) Determine whether all the 2015 Summer Camp revenues were properly accounted for, and (2) Determine if the purchase of the 3-D printer complied with District policies and procedures. This Special Review covered the period July 1, 2014, through September 30, 2015. This special review produced the following conclusions:

A. 2015 Summer Camp Revenue

1. No Money Missing from 2015 Summer Camp Program. All funds collected for the ASP were deposited into the Internal Funds.
2. Drop-safe Logs Missing. Three pages of the Fiscal Year 2016 *Drop-safe Log* (pages #12-00724 through #12-00726) were missing, which appeared to be for transactions during June 8 through August 12, 2015. Moreover, the entire *Drop-safe Log* for Fiscal Year 2015 was missing even though it was available for OIG's review during the 2015 Internal Funds Audit fieldwork on September 11, 2015.
3. Untimely Deposits of Money Collections. Two deposits (#799 and #802 totaling \$32,950.45) removed from the drop-safe were not deposited into the bank until after 22 and 26 working days.
4. Summer Camp Fees in the amount of \$15,879 Not Yet Collected. Based on the available student registrations, attendance, and sign-out records, we estimated the 2015 Summer Camp Program should have generated a total estimated revenues of \$74,752.20. However, only \$58,873.59 was collected and deposited into the Internal Funds. As a result, an estimated \$15,878.61 remain uncollected.

B. Purchase of 3-D Printer

5. Equipment Purchased with Online Donations Belong to the School. The school purchased a 3-D printer with funds obtained through an online donation site with the school name. The donation site was initiated by a teacher. However, the Sales Order indicated that the 3-D printer was sold to "Palm Beach School" and sales tax was not charged for this transaction.

2. Review of Charter Schools' CPA Reports, Report No. 2016-09

The Review of Charter Schools' Independent CPA Reports for Fiscal Years 2014 and 2015 were conducted pursuant to the 2016 OIG Work Plan. This review included Annual Financial Audits prepared by independent Certified Public Accountants (CPA) for the 48 charter schools operating in Palm Beach County. The primary objective of this review was to report significant financial trends and findings of charter schools identified in their latest audits by an outside CPA.

The report contains a summary of:

- Schools with deteriorating financial conditions
- Schools with negative fund balances
- Schools with negative net assets
- Significant audit findings identified by the CPA's during their audits

OIG's review concluded the following:

1. Four schools received a "F" Grade in FY2016
2. No Schools in Financial Emergency
3. Two Schools in Deteriorating Financial Conditions
4. Two Schools with Negative Fund Balance
5. 12 Schools with Negative Net Assets (Net Position)
6. Eagle Arts Academy Cited Related Party Transactions with its Management Company
7. Eagle Arts Academy Cited "Significant Deficiency" in Internal Controls
8. Learning Path Academy Cited One Instance of Noncompliance or other Matters
9. Somerset Academy, Boca East, Did Not Fully Implement Corrective Actions for 2014 Audit Findings
10. Renaissance Learning Center Did Not Comply with Florida Statute Section 1102.33 (9)(p) Regarding Website Information
11. Five Schools Had Recommendations to Improve Financial Management
12. Need to Generate and Use Monthly Compliance Reports for All Charter Schools.

Status of School Audits - July 1 through December 31, 2016

The Annual Audit of Internal Fund Accounts of the District's schools is required by **Florida State Board of Education, Administrative Rules 6A-1.087(2)**. For the above designated time, please find below a summary of internal school audits completed between July 1 and December 31, 2016.

| | Elementary Schools | Middle Schools | High Schools | Alternate/ Other Schools |
|---|---------------------------|-----------------------|---------------------|---------------------------------|
| Audits Completed | 77 | 16 | 21 | 3 |
| Remaining Audits to be Completed | 32 | 17 | 2 | 7 |

Note: Audit reports for all 175 schools were completed on _____. District-wide management report was sent to the Office of Chief Financial Officer for management response on April 4, 2017.



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, 2.62* and *3.28*, the OIG:

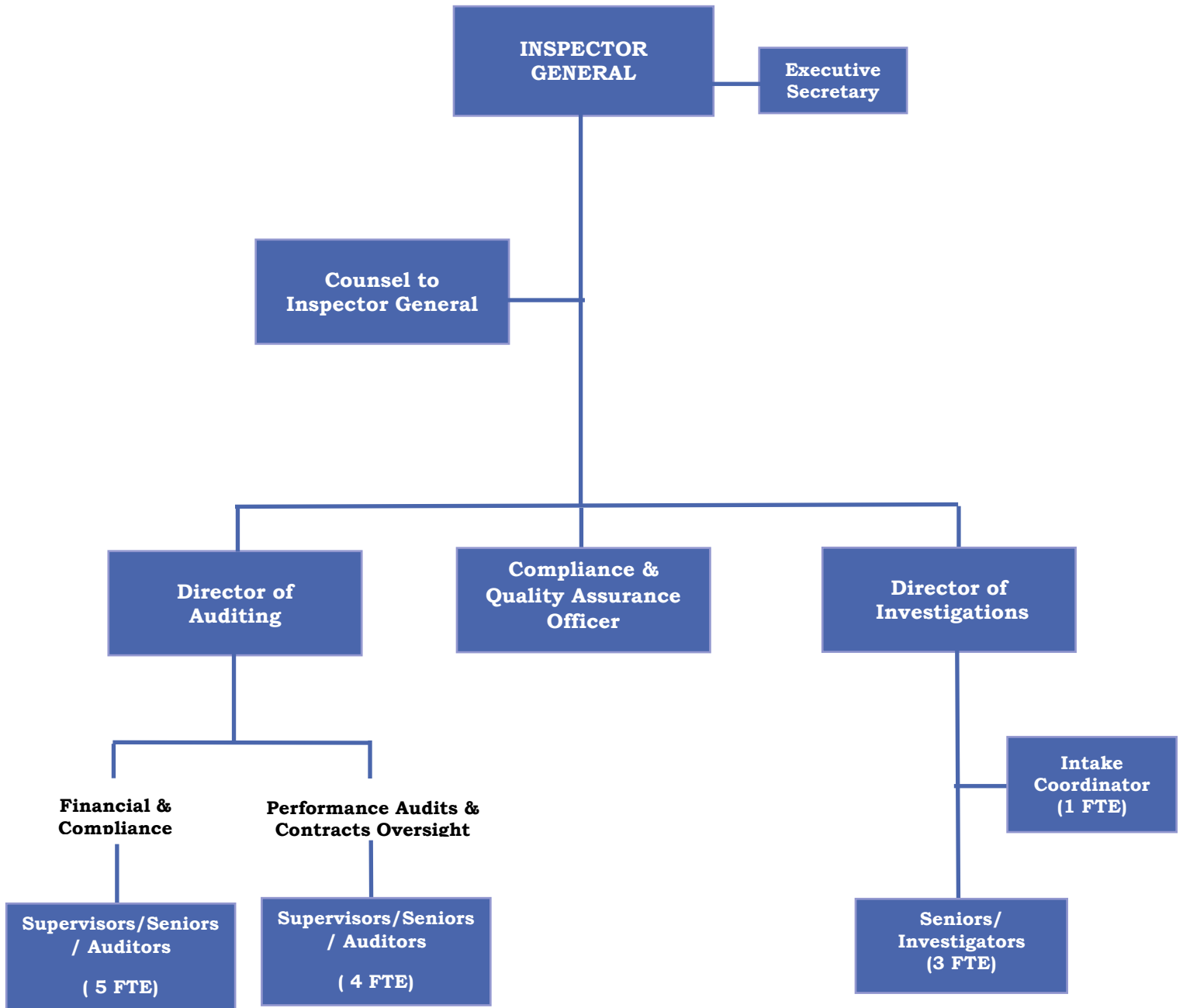
- Maintains an independent objective organization to conduct audits, reviews and investigations.
- Receives and investigates complaints related to our jurisdiction granted by policies.
- Reports all possible criminal violations to School Police or the appropriate law enforcement agency.
- Submits audit, 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.

OIG Organizational Structure



OIG STAFF QUALIFICATIONS

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
- Human Resource Management
- Finance
- Criminal Justice
- Organizational Management
- Organizational Leadership
- Law
- Law Enforcement
- Public Policy Management
- Ethics & Compliance

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 Account (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 Investigators (CIGI), and one staff member earned Certified Inspector General Auditor (CIGA).



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