

K. Lung Chiu, CIG, CPA
Inspector General

Annual Report of the Inspector General

July 1, 2015 through June 30, 2016

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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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THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FLORIDA

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LUNG CHIU, CIG, CPA
INSPECTOR GENERAL

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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: September 12, 2016

Re: 2016 ANNUAL REPORT

On behalf of the Office of Inspector General (OIG) and the Audit Committee, we present this 2016 Annual Report on the activities and accomplishments of the OIG from July 1, 2015, through June 30, 2016. This document further supplements the March 2016 Semi-Annual Report. In this report, you will find summaries of audit reports issued, reviews conducted, and investigative actions taken during the past fiscal year, as well as other work efforts of the OIG.

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.

For any audit or report you would like to read in its entirety, you can find the complete audit, investigative or other reports on the OIG website at <http://www.palmbeachschools.org/inspectorgeneral>.

We look forward to continuing to work with the District leadership and staff in meeting our goals and fulfilling our mission. We thank the School Board, the Superintendent and staff for their support and cooperation, and we look forward to continuing this mission work.

About the Office

Our 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.

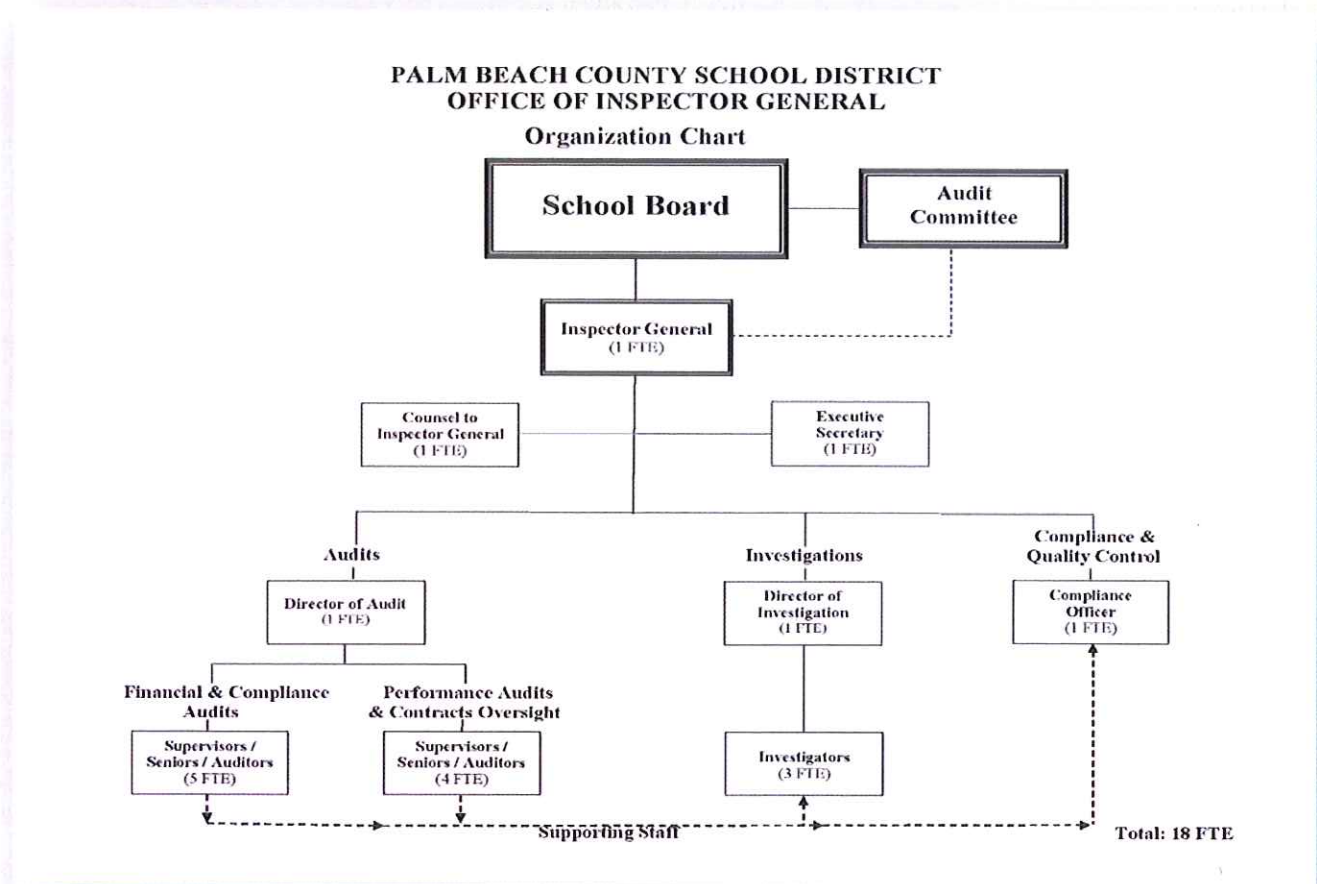
School Board Policy 1.092 serves as the OIG Charter. Some of the key provisions of the policy authorize the Inspector General to:

- 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.

Our Organizational Structure

The organizational structure of the Office of Inspector General consists of three divisions: Audit, Investigations, and Compliance and Quality Control. Each division is led by a director or officer of the OIG. Management and staff of the divisions work in coordination to meet the Inspector General's goals and objectives.



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. As of June 30, 2016, the OIG has 15 professional, 1 administrative, and 2 vacant positions. Collectively, OIG staff have:

- 12 advanced degrees, and
- 25 professional certificates, including Certified Public Accountant (CPA), Certified Inspector General (CIG), Certified Inspector General Auditor (CIGA), Certified Inspector General Investigator (CIGI), Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Information System Auditor (CISA), Chartered Global Management Accountant (CGMA), Certified Management Accountant (CMA)

Section 1

AUDITS

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AUDITS

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 on audit reports. The Audit Committee is comprised of seven voting members appointed by individual School Board Members, and six non-voting representatives including two School Board Members, 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, 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: Projects Completed

Performance audits provide School Board members, the Superintendent and District employees with an objective analysis of District operations to help improve performance, reduce costs, facilitate informed, data-driven decisions or initiate corrective action, and contribute to public accountability. The objectives of performance audits may include assessments of a department’s or program’s:

- EFFECTIVENESS (meeting the objectives set);
- ECONOMY (keeping the cost low);
- EFFICIENCY (getting the most out of available resources);
- INTERNAL CONTROL (an assessment of one or more components of a department or program’s system of internal control to safeguard assets); and
- COMPLIANCE (an assessment of compliance with criteria established by provisions of laws, regulations, contracts, grant agreements, or School Board Policy).

In conducting a performance audit in which the objectives focus on program effectiveness, economy, and efficiency, the auditor might seek to answer questions such as:

- ❖ Has the program achieved its legislative, regulatory, or organizational goals?
- ❖ Does the program duplicate, overlap, or conflict with other related programs?

Performance Audits

Performance audits are a collaborative effort of the OIG and the District unit being audited, requiring the District unit to participate in the planning, fieldwork, and reporting.

- ❖ Do the benefits provided by the program outweigh or justify the costs incurred to administer the program?
- ❖ What is the current status or condition of program operations or progress in implementing legislative or Board requirements?
- ❖ Whether District services are accessible to those individuals who have a right to access such services?

In conducting a performance audit, the auditor might seek to answer questions such as:

- ❖ Are managers of the program able to produce timely information for decision-making that is complete, accurate, and consistent?
- ❖ Are program benefits and services being provided to recipients in accordance with eligibility requirements?
- ❖ Are incurred or proposed costs in compliance with applicable laws, regulations, contracts, or grant agreements?
- ❖ Are resources being used in compliance with laws, regulations, or other requirements?
- ❖ Whether resources, including sensitive information accessed or stored outside the organization's physical perimeter, are safeguarded against unauthorized acquisition, use, or disposition?
- ❖ How might policy or legislative proposals impact the benefits provided by the program or the costs incurred to administer the program?

It is important to remember the objectives related to performance auditing: effectiveness, economy, efficiency, program results, internal control and compliance are not mutually exclusive. Thus, a performance audit may have more than one overall objective.

During the reporting period, the OIG issued 6 performance audits. A summary of the audits are provided below.

1. Audit of Cash Handling Procedures at 14 Selected Schools, Report No. 2015 -12. During March

2015, the Office of Inspector General performed unannounced cash counts and audited the cash handling procedures for fourteen (14) selected schools. The primary objectives of the audit were to: (1) determine if the amount of money to be deposited into the bank agreed with the collection records; (2) examine the school-based cash handling procedures and assess the adequacy of control procedures implemented; and, (3) determine the extent of compliance with procedures at the selected schools. The audit produced the following major conclusions:



- Three of the 14 schools had no significant noncompliance.
- Monies were missing at two schools.
- School treasurers at two schools had full access to the Drop safe.
- Noncompliance with *Drop-safe Log* Procedures:
 - ✚ One staff person signed/initialed another staff person's name on the logs. The case was forwarded to the Office of Professional Standards for further action.
 - ✚ Missing *Drop-safe Log* pages at two schools.
 - ✚ *Drop-safe Logs* were not completed with all the required information at five schools; and *Official Receipts* were not timely provided to the remitters to verify the accuracy of the deposits.
 - ✚ Five schools failed to have the *Document Custodian Assignment Register*, or their *Registers* were not approved by the Principal.
 - ✚ 11 schools did not complete or maintain the *Prenumbered Document Inventory Register* to document the perpetual inventory and periodic inventory check of the *Drop-safe Log*.

- Collections not properly documented:
 - ✚ At two schools, all the yellow copies of *Monies Collected Reports* (MCRs) were not retained.
 - ✚ At one school, some MCRS were not completed with all the needed information.
 - ✚ Some collections were not recorded on the *Drop-safe Logs* by the sponsors at two schools and some collections did not have the required MCRs at two schools.
- Four schools failed to timely deposit monies into the banks, with delays ranging from three to 65 days.

Findings were brought to the attention of the principals and corrective actions will be reviewed during the annual internal fund audits.

2. Audit of Adult Education Expenditures and Grant Compliance, Report No. 2015-14. The OIG has audited Adult Education and Family Literacy grants for Fiscal Years 2013 and 2014. These grants



were awarded by the Florida Department of Education (FDOE). The primary objective of the audit was to determine whether the expenditures for Adult Education grants and Adult Education/Workforce Development Fund complied with related rules and regulations. During Fiscal Years 2013 and 2014, the

District received a total of \$19.3 million and \$19.5 million respectively in Workforce Development and Adult Education Grant Funds. This audit produced the following major conclusions:

- The School District had a total of \$17 million in accumulated Adult Education Fund balance as of June 30, 2014.
- No exceptions were noted for Adult Education/Workforce Development Program expenditures.
- Grant expenditures complied with the grant requirements.
- Equipment purchased with grant funds were assigned with District asset tags and inventory records were maintained.

3. Audit of Accounts Payable Procedures, Report No. 2015-16. The primary objectives of the audit were to (a) assess the adequacy of internal controls of the Accounts Payable System, and (b) determine the accuracy and timeliness in processing payments after products and services have been received. The audit produced the following conclusions:

- Accounts Payable Internal Controls
 - ✚ No duplicated invoices
 - ✚ Accounts Payable sub-ledger agreed with general ledger
 - ✚ Minor exception: need for segregation of duties for monthly reconciliation and data entry into the Accounts Payable.
- No material noncompliance for purchases from District employees
- 98% sample invoices were paid within 30 days
- *Accounts Payable Standard Operating Procedures Manual* needs updating

4. **Audit of Purchase Order Procedures, Report No. 2015-17.** The primary objectives of the audit were to (1) evaluate the adequacy of internal controls for PO processing and (2) to determine the extent of compliance with the related laws, *School Board Policies*, and District procedures. This audit produced the following major conclusions.

- Vendor Master File
 - ✚ Vendor Master File updated without supervisor review
 - ✚ Vendor Master File needed review and update
- 33% of sample *Change Orders* not adequately documented
- 13% of POs with purchase under \$1,000
- Services performed before POs issued to vendors



5. **Audit of Maverick High School (Palm Springs) Full Time Equivalent (FTE) Surveys 2 and 3 for FY 2013) (Report No. 2016-02).** In response to the request of District staff, an audit was conducted of the Student Full Time Equivalent (FTE) records for Surveys 2 and 3 for Fiscal Year 2012-13, of Mavericks High School at Palm Springs (Mavericks). The primary objectives of this audit were to determine (1) whether Mavericks' met the daily 5th hour instruction requirement in order to receive the full FTE funding for both survey periods; (2) the sufficiency of documentation for FTE funding; and (3) the causes for FTE reporting errors, if any, in student counts for FTE Survey 2. An initial, draft report was presented to the Audit Committee June 17, 2014. The Audit Committee tabled the report, due to Mavericks appeal to the State Board of Education regarding Florida Auditor's General findings related to Mavericks' 5th hour FTE funding, a similar issue as presented in the District's audit. Based upon its findings, the Auditor General recommended the District reduce Mavericks' 2012 FEFP funding.

The District's audit findings were as follows:

- ✚ Mavericks lacked sufficient evidence to document the 5th hour of student instruction;
- ✚ \$318,582 in overpayment to Mavericks was recouped by the School District; and
- ✚ 75 Discrepancies (15%) were noted between Mavericks' student attendance as entered in the District's TERMS Database and the attendance as documented on the Weekly Attendance Reports for Fall 2012 Survey 2, as provided by Mavericks.

On April 7, 2015, the State Board of Education recommended the restoration of Mavericks' FTE funding. Subsequently, the Commissioner of Education approved the State Board of Education Appeal Panel's recommendation to restore Mavericks' funding. Based upon these decisions, the School District released a total of \$657,824 in FEFP funds to Mavericks for Fiscal Years 2012 and 2013 that were withheld by the School District based on Auditor General's and our audit findings.

6. **Audit of Charter Schools of Boynton Beach (Report No. 2016-01).** During the July 31, 2014 School Board meeting, the Charter of the Charter Schools of Boynton Beach (CSBB) was terminated, due to the school receiving a second consecutive "F" grade. On November 7, 2014, CSBB's Operator and Chief Financial Officer informed the District that CSBB did not have the resources to obtain a final audit of the school. In a December 2014 meeting with the District's Charter Schools Department, Office of General Counsel, and School Police, the OIG agreed to reach out to CSBB and offer to perform the final

audit of the charter school as required by §1002.33(o)(2), Florida Statutes. The primary objectives of this audit were to (1) evaluate the accuracy of financial statement reporting and (2) review the appropriateness of expenditures.

The audit revealed the following findings:

- ✚ *CSBB's financial information was not available for an audit.* The information needed for the Fiscal Year 2014 Audit was maintained by a third party provider, QuickBooks-Online. However, CSBB's account with QuickBooks was no longer operative. Therefore, no access was available to CSBB's information. However, CSBB's accountant provided us with bank statements and reconciliations, but canceled checks were not available for our review. We were also informed by the accountant that supporting documents (i.e., invoices, receipts, and contracts) were maintained at the school's offices. After repeated requests to the CSBB operator but without responses, the OIG concluded that the needed information for audit was not available.
- ✚ *Charter revenues from FEFP funding were pledged to secure bond financing for the charter school. Thus, the Bond Trustee withdrew \$102,336.15 from CSBB's bank account as provided in the bond documents.* Bond documents provided the "Trustee shall be entitled to collect and receive all Charter Revenues, and any Charter Revenues collected or received by the School shall be deemed to be held, and to have been collected or received, by the School as agent of the Trustee and shall forthwith be paid by the School to the Trustee." Upon default, the *Pledge and Covenant Agreement* further provides that the Trustee is authorized to apply all amounts held to the payment of the amounts due under the *Loan Agreement*. On August 14, 2014, the Bond Trustee, Regions Bank, withdrew the remaining \$102,336.15 bank balance from CSBB's account.
- ✚ *Management Did Not Respond.* As required by *Government Auditing Standards* and *School Board Policy 1.092*, OIG sent a copy of the draft report (on August 11, October 14, and December 11, 2015, via regular and certified mails) to CSBB's Board Chair and Chief Financial Officer for management response. No responses were received from any of the parties.

PERFORMANCE AUDITS: Projects in Report Preparation

Draft reports of the below listed audits have been provided to management for a response. These audits will be finalized after receipt of the responses for presentation to the Audit Committee, School Board and Superintendent.

- **Eagle Arts Academy (EAA) Charter School**

The primary objectives of this audit are to determine the extent to which EAA (1) properly recorded and reported the revenues and expenditures, and (2) complied with the financial and governance requirements of the *Charter Contract*.

- **PeopleSoft Security**

The primary objective of the audit is to assess the adequacy and extent of compliance with the access controls for the PeopleSoft System.

- **Fuel Inventory Controls**

The primary objectives of this audit are 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.

PERFORMANCE AUDITS: Projects in Fieldwork Status

Due to unforeseen demands in audit resources, fieldwork for some of the below projects were rescheduled during Fiscal Year 2015. Fieldwork is being completed on the following eleven (11) audit projects.

1. Competitive Solicitation

This audit is to (1) determine the extent of compliance with the School District's competitive solicitation requirements, and (2) evaluate the adequacy of controls for competitive solicitation.

2. Safeguard of District Assets

The primary objectives of this audit are to (1) assess the adequacy of controls in safeguarding District's tangible property assets (with values \geq \$1,000), computers, and classroom technology devices; (2) assess the adequacy and effectiveness of District's procedures in locating missing assets, and (3) determine the extent of compliance with State laws and School Board Policy in the disposition of District assets.

3. School Bus Maintenance

This audit is to determine if school buses are maintained and serviced in accordance with Federal and State safety guidelines.

4. Take-Home Vehicles

The primary objectives of this audit are to determine (1) whether the assignment of District owned take-home vehicles complied with School Board Policies, and (2) if the take-home vehicle program is efficient.

5. Alternative Education Program

The audit is to determine the program's compliance in (1) students' evaluation and assignment to Alternative Education Schools, and (2) providing accommodation, services, and educational program components contained in the Individualized Education Plans (IEPs).

6. Payroll & Time Collection Device System

The primary objective of this audit is to evaluate the adequacy of controls for recording and processing employees' work hours through the Time Collection Device (TCD) System.

7. Tririga Facility Leasing System

This audit is to evaluate the adequacy of internal controls in processing school facility leasing, and the extent of compliance with related School Board Policies and procedures.

8. Educational Facilities Safety Inspection

The primary objectives of this audit are to (1) evaluate the District's methodology in prioritizing and implementing the related corrective actions to rectify problems identified during safety inspections, (2) assess the adequacy of corrective actions taken to mitigate and minimize safety issues at the schools, and

(3) determine the progress in completing repairs from year to year.

9. Glade View Elementary Construction (Modernization) Contract

This audit is to determine if the contractor complied with significant terms and conditions of the construction contract, School Board Policies, Florida Statutes, and State requirements. The audit includes the review of schedules of progress, payments, change orders review and approval, and use and monitoring of contingency funds.

10. Purchasing Card (P-Card)

The primary objective of this audit is to determine the extent to which P-Card purchases by selected departments were conducted in compliance with District Policies and Purchasing Procedures.

11. Charter Schools' Audit Reports

The primary objectives of this review are (1) to report any significant financial trends and findings of charter schools identified in their latest audits by outside CPA, and (2) to advise the Charter Schools Department in taking proactive actions in response to significant issues facing charter schools.

SPECIAL REVIEWS: Projects Completed

Generally, the OIG Audit Unit classifies projects that were not specifically included in the Audit Work Plan as Special Reviews. These matters may arise from a request during the fiscal year, or they may be identified during the course of an audit. For Fiscal Year 2015-2016, the OIG completed 5 special reviews and a follow-up review.

1. **Follow-Up Review of Fundraising Activities at John F. Kennedy Middle School, Report No. 2015-09.** During the *Annual Internal Funds Audits* of John F. Kennedy Middle School for Fiscal Years 2013 and 2014, repeated noncompliance were noted in inventory controls and record keeping for certain fundraising activities. In addition, the March 2, 2015, unannounced cash count at the school noted a \$367 cash shortage from a fundraiser collection. The primary objectives of this follow-up review were to determine (1) the extent of corrective actions in response to Fiscal Year 2013 and 2014 Audits, and (2) whether the revenues collected from fundraisers were properly accounted for. This follow-up review produced the following major conclusions.
 - \$884 in estimated revenues was unaccounted for from three sample fundraisers during July 1, 2014, through March 5, 2015.
 - The school treasurer misrepresented information to the auditor regarding the \$367 in cash shortage identified during the March 2, 2015, unannounced cash count. OIG's conclusions were referred to the Professional Standards and School Police Departments for necessary actions. On June 3, 2015, School Police notified OIG that its investigation has been concluded and the conclusions were forwarded to the State Attorney's Office for further actions.
2. **Special Review of Missing Monies at John F. Kennedy Middle School, Report No. 2015-10.** The March 2, 2015, cash count at John F. Kennedy Middle School revealed shortages in several collections when compared to the *Monies Collected Reports* (MCRs). Due to the cash shortages identified during the unannounced cash count, the scope of review was expanded to include all monies collection records at the school during July 1, 2014, through April 21, 2015. The primary objectives of the expanded review were to determine (1) the causes for the discrepancy between the March 2nd cash count and the records of the

subsequent bank deposit, and (2) if all the monies were accounted for as of April 21, 2015. This review produced the following major conclusions:

- Noncompliance With Money Handling Procedures
 - ✚ None of the school staff completed the required Online Sponsor Training Courses.
 - ✚ 36% of the collections were not timely processed by school treasurer during July 1, 2014, through April 21, 2015.
 - ✚ Yellow copies of MCRs and *Official Receipts* were not retained by the activity sponsors.
 - ✚ MCRs were not always completed with all the required information.
- Noncompliance With *Drop-safe Log* Procedure
 - ✚ Three pages of the *Drop-safe Log* were missing for the period June 18 through August 25, 2014.
 - ✚ No document custodians were assigned for keeping and issuance of any of the prenumbered documents used by the school, including the *Drop-safe Log*.
 - ✚ *Periodic inventories of the Drop-safe Log* were not performed.
 - ✚ *Section 3* of the *Drop-safe Log* was not always completed by an independent staff to verify that the school treasurer had entered the deposit information into the Internal Accounts System.

Staff agreed with the findings and corrective actions were taken.

3. Special Review of Money Collection Records at Palm Beach Public School, Report No.2015-13. An unannounced cash count was conducted at Palm Beach Public on March 11, 2015. Due to irregularities noted during the cash count, the scope of the review was expanded to determine if all the monies collected during July 1, 2014 through March 11, 2015 were properly accounted for. The review produced the following major conclusions:

- The detailed examination and analysis of the deposit records concluded that no money was missing during the review period.
- The school treasurer had signed/initialled the data processor's name on the *Drop-safe Logs*.
- The school treasurer had the full combination to access the drop-safe and misrepresented this information to OIG staff.

Staff agreed with the findings and corrective actions were implemented.

4. Special Review of Pierce Hammock Elementary School's Parent Teacher Organization, Report No. 2015-15. Pursuant to the *Office of Inspector General (OIG) 2014-15 Work Plan* and in response to the requests of the Principal and Parent Teacher Organization (PTO) of Pierce Hammock Elementary, the OIG has performed a special review of the PTO's financial records and board member election process. The primary objectives of this special review were to determine (1) whether all fundraising revenues were accounted for, (2) the appropriateness of expenditures, and (3) the extent of compliance with the Bylaws for PTO's board members election. This special review produced the following major conclusions:

- During the fieldwork, the PTO dissolved its organization and donated its \$7,290.35 in remaining cash balance, equipment, and unsold fundraiser inventory to the school.
- The estimated revenues for all the seven sample fundraisers were accounted for.
- All the disbursements processed during July 1, 2014, through April 10, 2015, did not have documentation of approval from the PTO's executive board as required by its Bylaws.

- \$1,266.62 of the \$4,119.13 for nine disbursements had no supporting documentation for the expenses.
- No noncompliance with the PTO's Bylaws was noted for the 2014-15 PTO's Board Officers Election conducted during September 2014.

5. Special Review of Money Collection Records at Rolling Green Elementary School, Report No. 2016-

03. As part of the *2015 Internal Funds Audit of Rolling Green Elementary*, OIG noted certain irregularities related to the school's money collections. Subsequently, OIG expanded the scope to review the money collection process at the school. The primary objective of this special review was to determine whether all monies collected by the school during Fiscal Year 2015 were properly accounted for. This special review covered the period July 1, 2014, through June 30, 2015; and included:

- Analyzing all money collection records for the time period covered.
- Interviewing school staff.

This special review produced the following major conclusions:

✚ **\$302 Unaccounted for.** An analysis of money collection records found that \$302, from seven yellow copies of MCRs retained by activity sponsors, were neither deposited into the bank nor recorded in the Internal Funds General Ledger. In addition, another \$38 in cash shortage are noted for MCR#703-6.

✚ **Noncompliance with Internal Control Procedures.** The review of the money collection records revealed the following noncompliances:

- ❖ Three collections totaling \$16,005 were not recorded on the *Drop-safe Log* or placed in the drop-safe. However, all three amounts were recorded in the General Ledger (*Official Receipt* #155, #262, and #672). This indicated that staff might have bypassed the requirement of recording money collections on the *Drop-safe Log* and gave the money directly to the treasurer. Skipping this requirement may create an opportunity to discard documentation and mishandle the collections.
- ❖ *Section 2* of the *Drop-safe Log* was only initialed by the treasurer. It appeared that the treasurer was removing monies from the drop-safe without being accompanied and verified by a second staff member.
- ❖ The school's *2014-2015 Checkout Procedures* (i.e. end-of-year checklist) instructed staff to turn-in all yellow copies of MCRs to the treasurer, contrary to the District procedures that the documents should be submitted to the school secretary for filing and future references at the year-end.

Management concurred with the OIG's findings and its recommendation that all school records should be properly safeguarded and retained for a time-period consistent with the District's *Record Retention Schedule*.

6. Special Review of Money Collection Records at Pierce Hammock Elementary School, Report No. 2016-04.

As part of the *2015 Internal Funds Audit of Pierce Hammock Elementary*, we noted certain irregularities related to the school's *Drop-safe Log*. Subsequently, we expanded the scope of review for money collection records at the school. The primary objective of this special review was to determine whether all monies collected by the school during Fiscal Year 2015 were accounted for. This special review covered the period July 1, 2014, through June 30, 2015; and included:

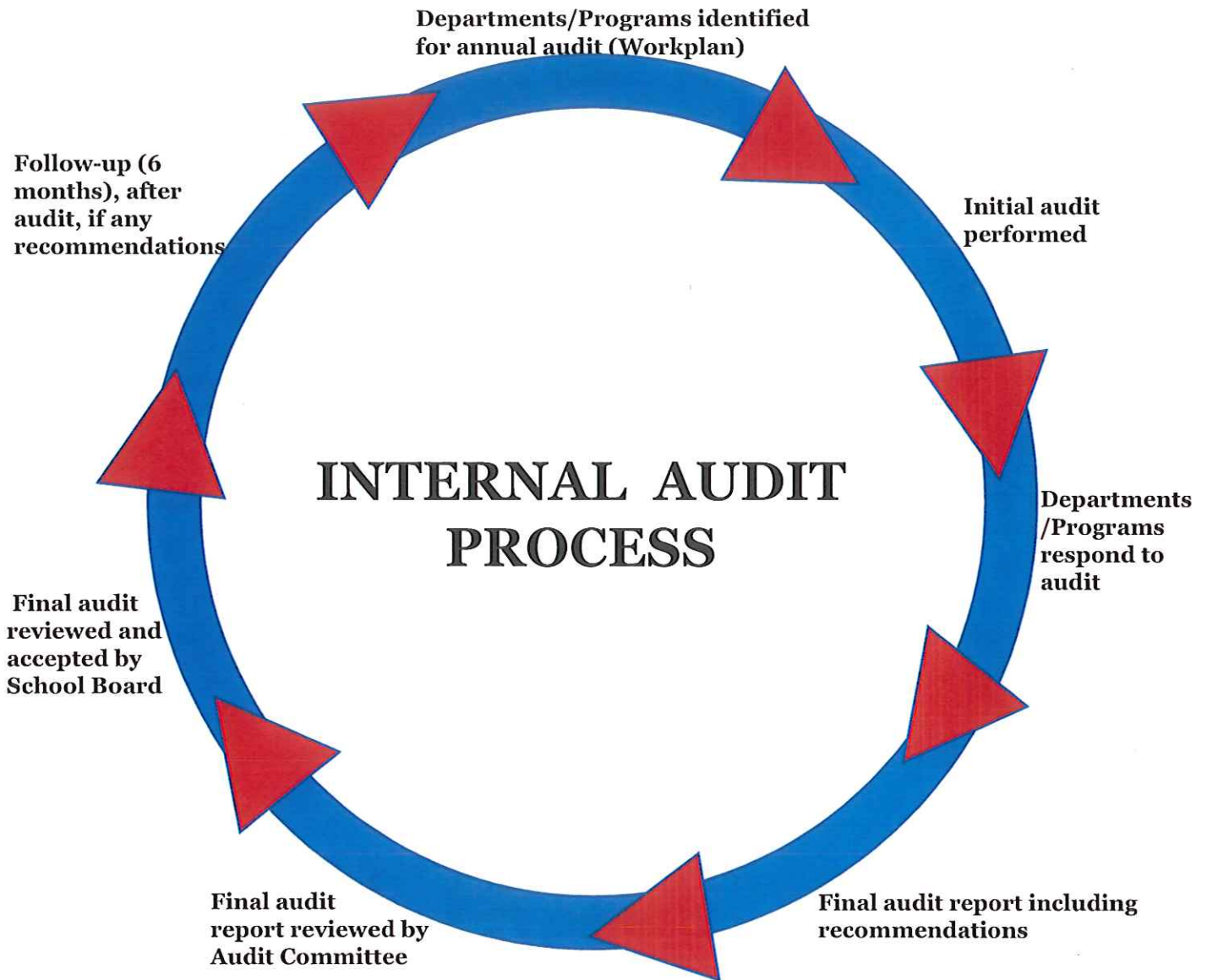
- Performing an analysis of all money collection records for the time period covered.

- Interviewing school staff.

The special review produced the following major conclusion:

- ✚ **\$3,540.71 Missing.** Our analysis of money collection records found that \$3,540.71 from 19 yellow copies of MCRs retained by activity sponsors were neither deposited into the bank nor recorded in the Internal Funds General Ledger. These monies were collected by sponsors during May 29 through June 9, 2015, which matched the time-period of the missing *Drop-safe Log* pages.
- ✚ Our interview with staff and review of the money collection records concluded that the school was following the District’s money collection procedures; however, someone deliberately removed some pages from the *Drop-safe Log Binder*.

Management concurred with OIG’s findings, and the recommendation that all school records should be properly safeguarded and retained for a time-period consistent with the District’s *Record Retention Schedule*.



FINANCIAL AND COMPLIANCE AUDITS OF SCHOOL INTERNAL FUNDS



The Annual Audit of Internal Fund Accounts of 175 District Schools is required by *Florida State Board of Education, Administrative Rules 6A-1.087(2)*. Results of Fiscal Year 2014/15 Audits of the internal funds accounts for District schools are provided below.

SCHOOLS WITH NO SIGNIFICANT NONCOMPLIANCES

We would like to recognize the 17 schools in which no significant noncompliances were identified during the Fiscal Year 2015 Audits. While not every error or control weakness is necessarily identified during our audit engagement, no significant noncompliances or weaknesses were found in the samples examined at the following 17 schools.

Acreage Pines Elementary**	Lighthouse Elementary
Congress Middle**	Limestone Creek Elementary
Discovery Key Elementary	Loggers' Run Middle**
Freedom Shores Elementary**	Panther Run Elementary
Heritage Elementary	Pioneer Park Elementary
Hope-Centennial Elementary**	Sandpiper Shores Elementary**
Independence Middle**	South Intensive Transition School**
Lake Park Elementary**	Waters Edge Elementary**
Lantana Middle**	

Schools marked with ** also had no significant noncompliances during Fiscal Year 2013-14 Audits. We have notified the Area Superintendents of the above schools for their extraordinary performance in complying with *School Board Policies* and maintenance of their records.

I. DISBURSEMENTS

During Fiscal Year 2014/15, all 175 schools in the School District disbursed a total of \$76.7 million in payments for purchases of goods, services, and other expenditures through the Internal Funds. These expenditures included 68,938 transactions in District's Purchasing Cards (P-Cards) totaling \$12.2 million. *Two findings were noted in the area of disbursements:* 1) Disbursements were not properly documented or approved; and 2) Vendors performed services on school campuses without an agreement.

1. Disbursements Not Properly Documented or Approved

Per *School Board Policy 6.07, Internal Accounts*, the principal of the school shall be directly responsible for administering the state and district regulations. The internal controls established by the *Internal Accounts Manual* and District guidelines provide guidance for the principal in approving each disbursement. The District continues to improve compliance in this area by providing ongoing web-based and face-to-face training opportunities in financial management for staff.

The 2015 Audit found that 116 schools (up from 103) did not have major noncompliance with the *Internal Accounts Manual* and related District guidelines for check disbursements. Irregularities with disbursements are noted below.

IMPROPER DISBURSEMENTS	
Disbursement	# of Schools
Some disbursements lacked the necessary documentation for the disbursements.	59
Issued checks for P-cards with no supporting documentation. <ul style="list-style-type: none"> • All disbursements should be supported by a vendor invoice, paid receipt, or some other form of documentation from an independent source. • The issuance of school check should be supported by a <i>Check Requisition</i> signed by the sponsor and approved by the principal. 	21
Payments based on insufficient documentation, such as vendors' account statements or packing lists that did not have purchase details	17
Paid consultants without a properly executed written agreement (PBSD 1420) or with written agreements that lacked critical information such as hourly rates, maximum contract amounts, consultants' signatures, etc.	31

Regarding the *planning* and *authorization* of disbursements, the following irregularities are noted:

IRREGULARITIES IN THE PLANNING AND AUTHORIZATION OF DISBURSEMENTS	
Noted Irregularities	# of Schools
<i>Purchase Orders not issued</i> for some disbursements exceeding \$1,000 as required by the <i>Internal Accounts Manual, Chapter 8 (Cash Disbursements and Checks)</i> . <i>Note:</i> Large purchases should be preapproved by the principals and confirm the availability of funds for payment.	40
Payments based on purchase agreements and contracts signed by school staff member instead of the principal	15

Of the irregularities in the planning and authorization of disbursements, some schools had more than one of the above findings.

Disbursement procedures should be administered in accordance with *Internal Accounts Manual, Purchasing Manual*, and related District guidelines. Specifically,

- ✚ All check disbursements should be adequately documented with *Check Requisitions* approved by the school principal and supported by itemized invoices and receipts. Without adequate supporting documentation, there is no assurance that the related expenses were appropriate.
- ✚ Contractual agreements should be signed by the principal as authorized by *School Board Policy 6.14. Section 4*, which states “No person, unless specifically authorized ..., may make any purchase or enter into any contract involving the use of school or School District funds. Payment of any unauthorized purchase may be the responsibility of the person placing the order.”
- ✚ We recognize that acquiring adequate supporting documentation when conducting P-Card purchases online can be challenging, especially for those schools with limited support staff; but it is a prudent business practice to ensure that all transactions are thoroughly documented with regards to descriptions, quantities, prices, proof of receipt, and business purpose. More importantly, purchase of certain items and commodities by individual schools is prohibited by the School District. Without proper descriptions of the items purchased, there is no assurance that the purchase is appropriate.

2. Vendors Performed Services on Campus without Consultant Agreement



In 18 schools, some vendors were permitted to perform services at the schools without a written *Consultant Agreement*. Section 8 of the District’s standardized *Consultant Agreement* (PBSD 1420) specifies the requirements for completing background checks/fingerprinting of vendors in accordance with the *Jessica Lunsford Act (Florida Statutes §1012.465)*. The lack of a written *Consultant Agreement* could result in school’s failure in enforcing this provision.

To protect the safety and welfare of students, prior to performing services on school campus, the vendors must (1) have a properly executed *Consultant Agreement*, and (2) have been cleared of the required background and clearance checks as required by *Florida Statutes §1012.465 (Jessica Lunsford Act)*.

II. MONEY COLLECTIONS

During 2015, all 175 schools in the School District collected a total of \$77.7 million in Internal Fund revenues, mostly from (1) fundraising, (2) special trusts, and (3) program fees. Four findings were noted in the area of money collections.

3. Inadequate Fundraising Documentation

Fundraising activities are governed by *School Board Policy 2.16 – Fund-Raising Activities Relating to Schools*. Noncompliances in fundraising were identified at 138 or 79% of the schools (up from 96, or 55%, schools in Fiscal Year 2014) in five categories: 1) sponsors failed to complete the mandatory annual online training, 2) insufficient/lack of documentation, 3) financial inaccuracy, and 4) lack of authorization.

Charted below are the number of District schools not in compliance with District requirements due to: school sponsors failed to complete the required online training; insufficient or lack of documentation; financial inaccuracies; and/or, lack of authorization.

MONEY COLLECTION NON-COMPLIANCE IN DISTRICT SCHOOLS	
Noncompliance	# of Schools
1. Sponsors failed to complete online training	114
2. Insufficient or Lack of Documentation	
A. <i>Sales Item Inventory Report</i> missing or not used	43
B. <i>Sales Item Inventory Report</i> incomplete/completed with inaccurate information	22
C. Record of “give-aways” or damaged items not maintained or documented	16
D. <i>Ticket Sellers Report</i> not used or missing	3
3. Financial Inaccuracy	
A. Revenue Shortage, according to available sales and purchasing records	32
B. Revenue recorded in the club’s or activity’s primary account instead of dedicated decimalized account.	6
4. Lack of Authorization	
A. <i>Sales Item Inventory Report</i> not reviewed and/or signed by principal	32
B. Fundraising Application/Recap Form missing(no evidence of principal’s authorization)	16
C. Fundraising activity started before Principal’s authorization	9

To ensure staff is aware of and complying with the updated fundraising procedures, fundraiser sponsors should complete the required eLearning Fundraiser Training Course annually prior to conducting fundraising activities.

While we recognize staff has taken proactive steps to strengthen controls and improve compliance, it is important to have accurate information on the *Fundraiser Application/Recap Forms*, *Sales Item Inventory Reports*, and *Ticket Sellers Reports*. Management revised the *Sales Item Inventory Report* in Fiscal Year 2014 to require the principal or assistant principal to sign the *Sales Item Inventory Report*, attesting to the unsold items.

To ensure proper fiscal accountability, (1) *Sales Item Inventory Report* and *Ticket Sellers Report* should be completed with accurate information for each fundraiser; (2) the above fundraiser *Reports* should also be maintained to account for the revenue for sales items such as Yearbook, that might not be primarily intended for fundraising; and (3) items purchased with school funds and provided free-of-charge to students, staff members or the community should follow similar requirements as specified in District’s **Bulletin #P-12690-CAO/COO/P** for gift cards, that “schools must maintain documentation of all recipients of gift cards.”

Complete and accurate sales information on the *Sales Item Inventory Reports* and *Ticket Sellers Reports* is critical to ensure all revenues are accounted for. The OIG will coordinate with (1) Accounting Department to ensure staff is properly trained for the use of these forms, and (2) Human Resources to ensure that personnel actions will be taken accordingly if fundraising reports are missing or not prepared.

4. Cash Collection and Deposit Procedures

To help strengthen the controls and ensure the integrity of revenue collections, the District has developed and implemented certain procedures for cash handling. These procedures require the use of *Monies Collected Reports* (MCRs) and *Drop-safe Logs*. District management enhanced these procedures by revising the *Drop-*

safe Log to include a second review by an impartial third party. Further improvements were made by redesigning the *Log* as a prenumbered form that is now stocked in the Warehouse. In addition, to further enhance the integrity of cash collection process, District management now requires the schools to centrally collect and store the staff's yellow copies of the *Monies Collected Reports* for future reference.

We recognize management's efforts to improve controls in money collection. However, during the 2015 Audit, we noted instances of noncompliance with MCR related procedures and maintenance of *Drop-safe Logs*. Outlined below are instances that were noted.

NONCOMPLIANCE WITH MONIES COLLECTED RERPORTS (MCR) PROCEDURES AND MAINTENANCE OF DROP-SAFE LOGS		
Noncompliance		# of Schools
Monies Collected Reports (MCR)¹	Activity account sponsors did not always retain the yellow copies of the MCR. Sponsors should retain the yellow copies of the MCRs before placing the collections into the drop-safe for deposit.	21
Drop-safe Logs	Staff did not always record information for the deposits on the <i>Drop-safe Log</i> . In some instances, staff did not record the deposit information or entered incomplete information on the <i>Drop-safe Log</i> , such as missing dollar amount, and treasurer not signing the <i>Log</i> after removing the monies from the safe for processing, etc. Also, in some instances, the independent staff verifier did not complete Section 3 of the <i>Drop-safe Log</i> indicating that funds were properly recorded in the accounting system.	43
	Some pages of the Drop-safe Log were missing.	9
Retention of Yellow Copies at Year-End	At year-end, some sponsors did not turn in the yellow copies of the MCRs and the computerized receipts to the school secretary for record filing	12
	Staff received instructions to turn in the yellow copies of the MCRs directly to the treasurer, which contradicted the District instructions to submit the documents to the school secretary at year-end.	17
Prenumbered Documents Inadequately Controlled²	Custodians were not assigned for some prenumbered documents.	31
	A preinventory was not completed for prenumbered documents in accordance with District guidelines.	46

¹ Keeping a copy of the MCR will assist the sponsors in (1) ensuring that the dollar amount printed on the *Official Receipt* provided by the treasurer agrees with the monies collected and submitted for deposit, (2) tracking the account balance periodically, and (3) providing documentation for revenue collections if record-keeping errors should occur.

² District's operating procedures require schools to assign document custodians for all prenumbered documents including Drop-safe Logs, School Checks, and Classroom Receipts.

To ensure proper fiscal accountability and as required by *Bulletin #P-14051-S/CFO* and *Internal Accounts Manual, Chapter 7's Record Retention Requirements*, (1) *Drop-safe Log* should be properly completed with all the needed information, (2) the completed *Log* should be retained by a staff member other than the treasurer for five years, and (3) teachers/sponsors should submit their yellow copies of the MCR and computerized receipts to the school secretary at year-end. Document custodians should be assigned for all prenumbered documents; and prenumbered documents should be periodically inventoried in accordance with District guidelines as required by *Internal Accounts Manual, Chapter 27*.

District management should (1) develop and implement procedures to ensure that controls in use of *Monies Collected Reports* and *Drop-safe Logs* are enforced. To further enhance the record keeping and streamline the bookkeeping process, the District should explore the feasibility of computerizing the *Monies Collected Reports*, with direct interface with the Internal Funds accounting system.

5. Monies Not Deposited Timely

In 26 (15%) of the schools, monies collected by staff were not always turned in timely to the treasurer for deposit, with delays ranging from one to 45 working days, and an average of six working days. At five additional schools, treasurers did not timely deposit collected monies into the bank, with delays ranging from six to 22 working days. Delays in turning in the monies for deposit could result in potential irregularity and increase the risk exposure for staff. *DOE Rules (Chapter 8 of the Department of Education's Financial and Program Cost Accounting and Reporting for Florida Schools)* and District's guidelines require that *all monies collected be (1) put in the drop-safe daily and (2) be deposited in the bank within five working days after collection*.

6. Monies Collected Not Adequately Documented

The review of sample monies collection records revealed that some collections at 21 (12%) of the schools did not always have enough detailed information, such as sources and purposes of the collections, on the *Monies Collected Reports (MCRs)*.

To ensure proper fiscal accountability, sufficient relevant information for monies collection should be documented on MCRs, including the date, purpose, composition of the collections (i.e. check numbers or cash), and appropriate account numbers. The treasurer should sign and enter the required information onto the MCRs after the collections have been verified and recorded into the general ledger. Changes on the MCRs should be acknowledged by the sponsors to ensure proper accountability.

III. LEASING OF SCHOOL FACILITIES

The School District recognizes the mutual benefits of the use of school facilities by the community and civic organizations, other government entities, and taxpayers. To meet the needs of the community while protecting the best interests of the schools, certain leasing guidelines were developed by the District and implemented by the schools.

The District uses a Computer Aided Facilities Management software program, the Tririga System, to track school facility leasing activities. While most concerns related to rental rates and documentation were addressed by this computer software, staff still needs to exercise diligence regarding *Lease Agreement* preparation, proof of liability insurance coverage, and rental charges collection and distribution. Three findings were noted in the area of school facilities leasing.

7. Lease Agreement Not Properly Signed

Lease Agreements were not always executed with all the required dated signatures in a timely manner. Incomplete or missing information was noted on some leases in 43 (25%) of the schools. Beginning in Fiscal Year 2014, management modified the leasing approval process by allowing for an electronic signature of the principal. However, the manual signature of lessee on *Lease Agreement* must still be obtained prior to the use of facility. To ensure *Lease Agreements* are legally enforceable, they should be properly executed with all the required signatures prior to the lessees' use of facilities.

8. Late Payments

School Board Policy 7.18 states, "Fees are to be paid by check or credit card (no cash) at least forty-eight (48) hours prior to the use of a facility." However, due to certain technicalities in receiving lease payments from some long-term leases, some lease arrangements at 26 of the schools did not comply with this requirement. Moreover, as of June 30, 2015, a total of \$19,265 in leasing fees had not been collected from the lessees for the use facilities at nine schools during Fiscal Year 2015. All rental charges should be collected 48 hours prior to lessees' use of the school facilities in accordance with *School Board Policy 7.18* and related District guidelines.

9. Inadequate Proof of Insurance

We noted seven (4%) of the schools did not receive proof of adequate liability insurance coverage from some of their lessees. While the Tririga System requires insurance certificates be scanned and attached prior to the approval of the lease, staff must continue to verify that the certificate is current and meets the required amount of liability coverage, and specifically includes the School Board as an additional insured party. To protect the School District from potential unwarranted liabilities, all lessees should provide proof of adequate and proper insurance or purchase the required insurance coverage through the District's insurance pool prior to the use of school facilities.

IV. SEGREGATION OF DUTIES

10. Staff Performing Incompatible Duties

Proper segregation of duties is a key internal control for fiscal accountability to prevent and detect potential irregularities. Our review found that staff was performing incompatible duties in 32 schools. Examples included:

- ✚ School treasurer was collecting fees, in addition to maintaining the Internal Funds accounting records. School treasurers should not collect and receipt monies.
- ✚ School treasurer prepared some *Check Requisitions, Monies Collected Reports (MCRs), and Fundraiser Application/Recap Forms* on behalf of the activity sponsors, who should complete the paperwork.
- ✚ Incoming mail was opened by school treasurer for processing. Incoming mail should be received and opened by a different staff member. Payments, if any, received in the mail should be recorded on a MCR by the staff who opens the mail, prior to recording and dropping off the collection in the drop-safe.
- ✚ Both the new and used *Drop-safe Logs* were kept by the school treasurer, instead of the designated custodian.

Principals rely on school treasurers to advise other staff on the internal controls process to provide assurance that collections and disbursements are properly handled and documented. However, it is ultimately the principals' responsibility to oversee and reinforce the rules. Internal controls only work when staff adhere to the procedures. Beginning in Fiscal Year 2013, the District implemented an online mandatory annual training for all staff involved with money handling. School treasurers also receive reinforcement training on rules and documentation at the monthly treasurers' meetings.

We recognize that implementing segregation-of-duties control is sometimes impractical in light of staffing limitations at some schools. The District should explore options to ensure staff is properly trained and understands the purpose of internal controls for money handling.



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 2015/16, the Audit Committee held nine (9) meetings and one workshop. During such meetings, the committee

- Received draft OIG audit reports and final investigative reports;
- Engaged in a policy review process for OIG policies, Board Policies 1.091, 1.092, 2.62, and 3.28;
- Received reports of the external auditor, RSMcGladrey LLP
- Received special reports from District staff on matters as the use of credit cards in lieu of cash in schools, collections efforts associated with worthless checks, charter schools, etc.
- Received and commented on AIG Peer Review of the OIG

Section 2

INVESTIGATIONS

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INVESTIGATIONS

In General

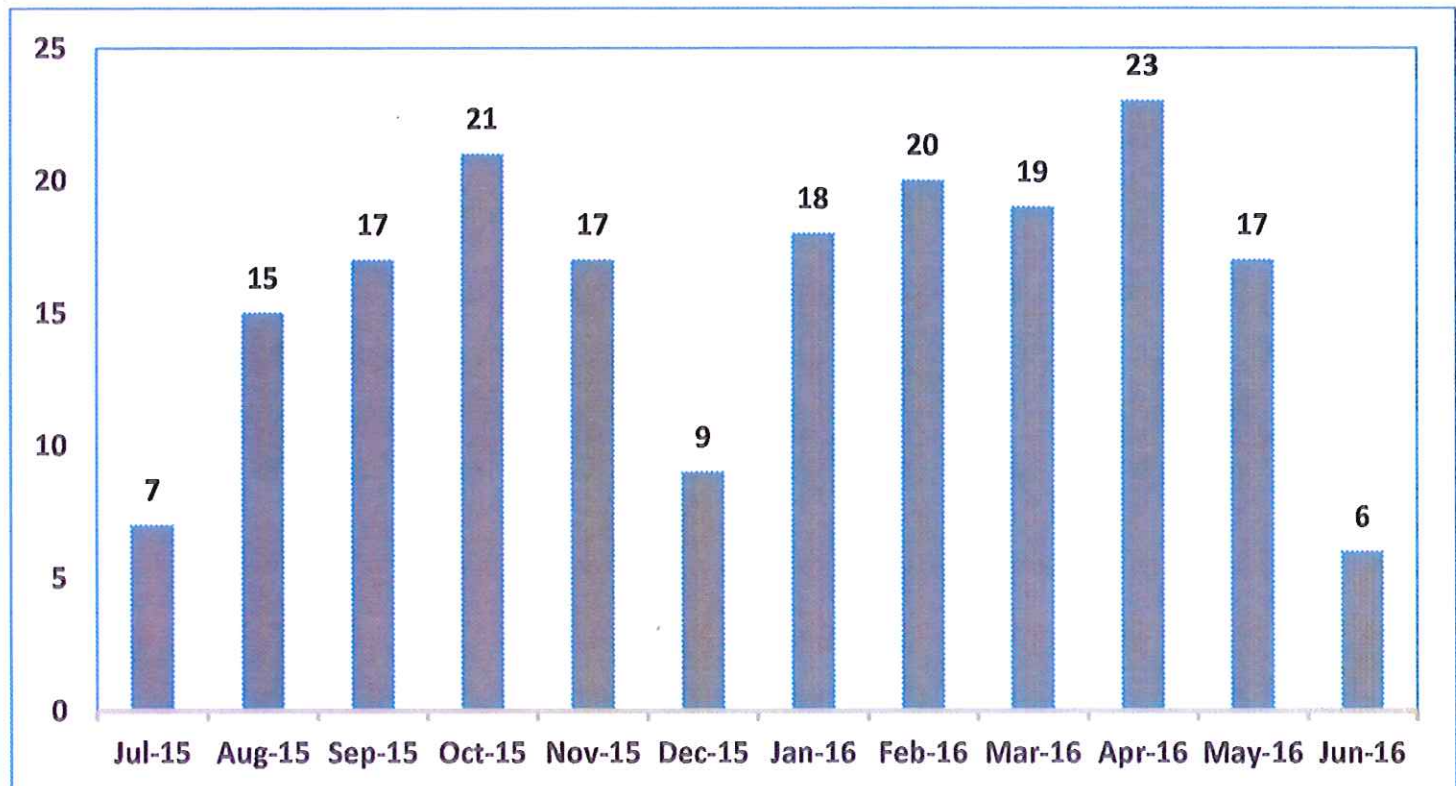
School Board Policies 1.092 and 3.28 authorize the Inspector General to conduct investigations which:

- Detect, deter, prevent and eradicate fraud, waste, financial mismanagement, fiscal misconduct, and other abuses in District government.
- Detect and prevent misconduct, inefficiency and waste within the programs and operations of the District.
- Address complaints regarding District-funded projects, programs, contracts or transactions.
- Address whistleblower complaints consistent with the District's Whistleblower Protection Policy and state laws.

The OIG conducts its investigations in accordance with the Association of Inspectors General's *Principles and Standards for Offices of Inspectors General*, generally accepted principles, quality standards and best practices applicable to federal, state and local offices of inspectors general. The Association of Inspectors General developed these principles and standards based on the quality standards for Federal Inspectors General issued by the President's Council on Integrity and Efficiency. In addition, the OIG, at all times, exercises due professional care and independent, impartial judgment in conducting its investigations and issuing its reports and recommendations.

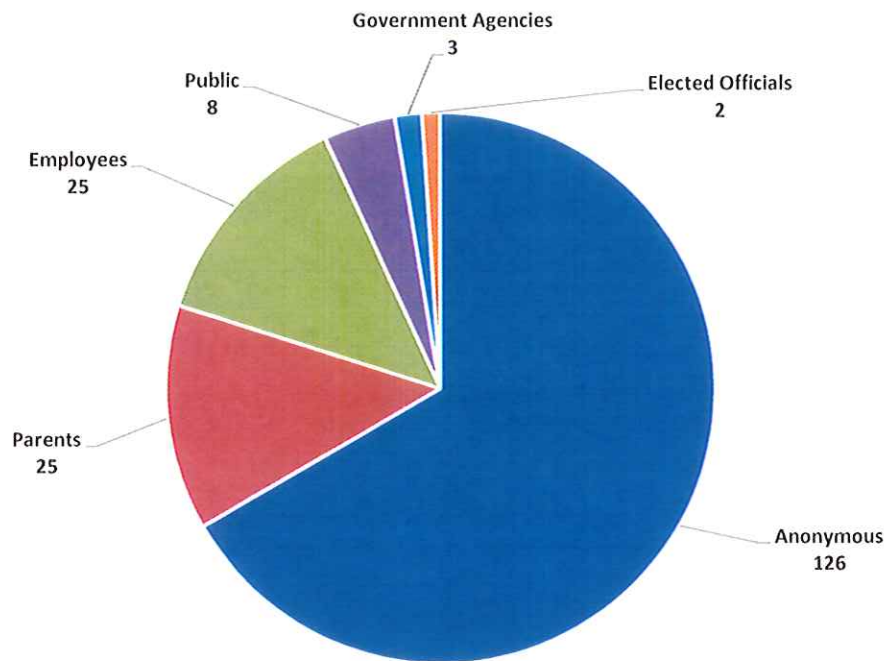
Complaint Statistics

The OIG received and processed 189 complaints or referrals from July 1, 2015 through June 30, 2016. The following is a summary of the complaints and referrals which were received and processed this fiscal year.



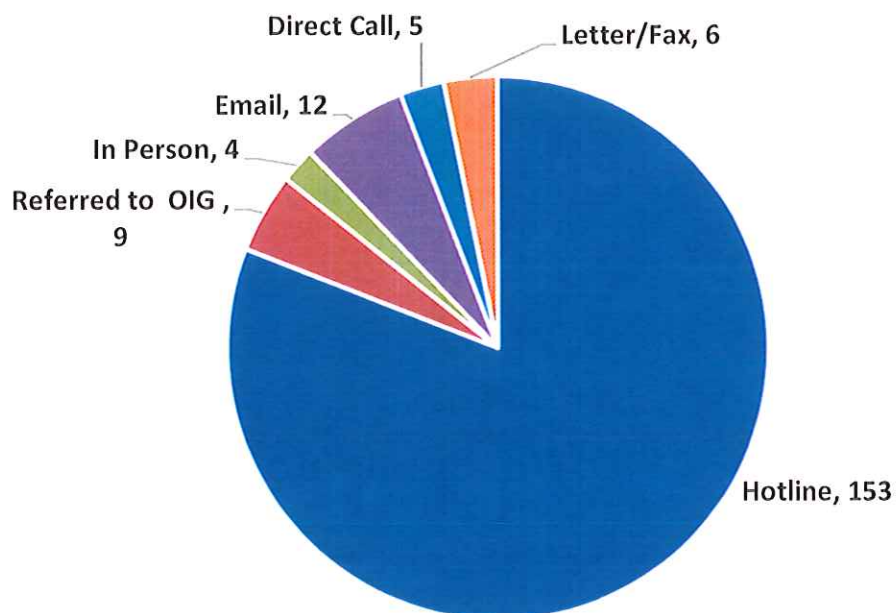
Source of Complaints

The OIG responds to anonymous complaints. However, it is challenging to commence an investigation with limited information or the inability to obtain further information from the complainant. Of the 189 complaints received, 126 were reported as anonymous. Please find below the reporting source for complaints received in FY 2015/16.



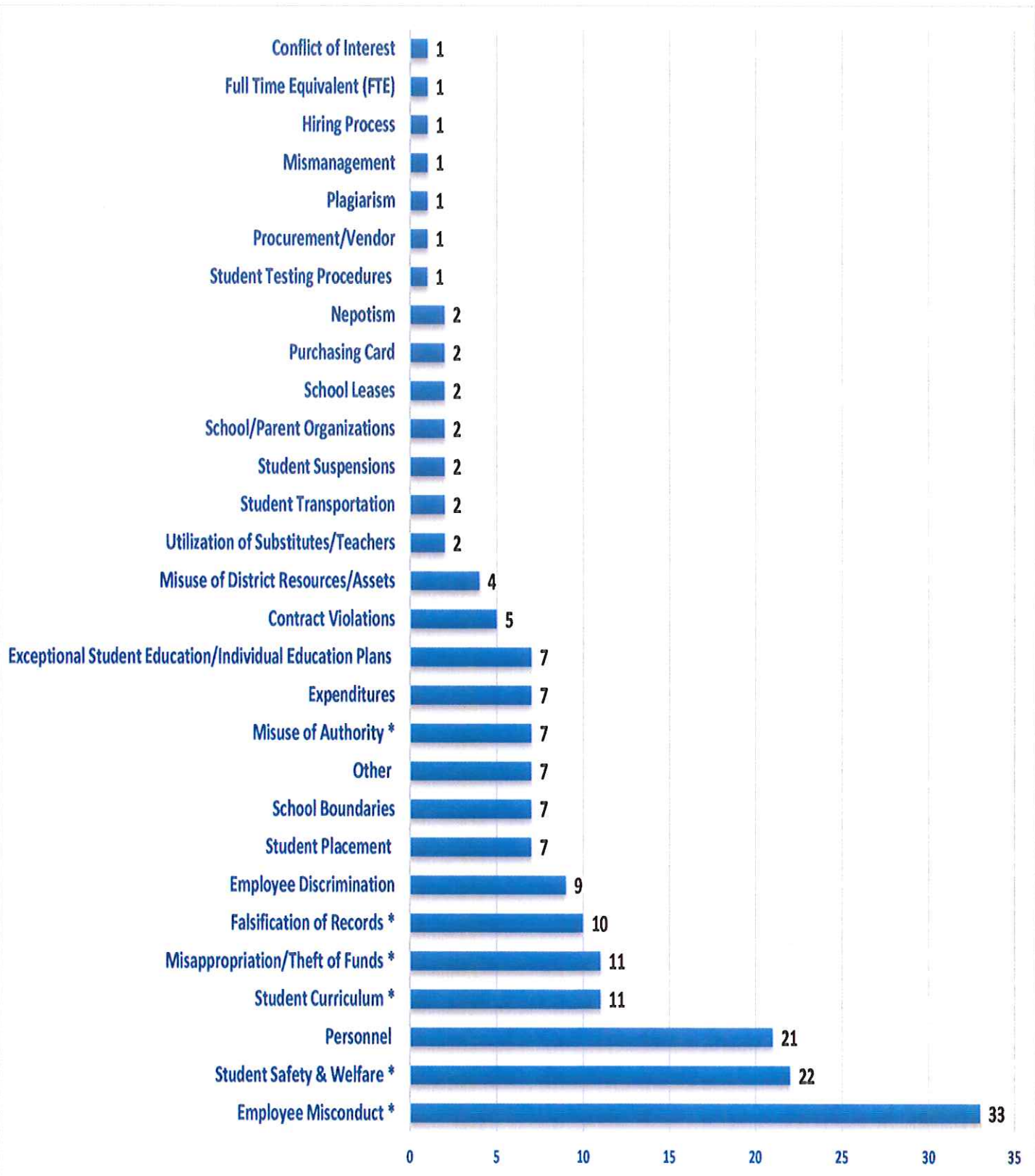
Method of Receipt of Complaints

The OIG receives complaints via the hotline, mail, email, telephone, facsimile, in person, and through referrals from other District departments or external agencies. Like prior fiscal years, the majority of complaints were received via the Inspector General's Hotline. The remaining methods: direct call, letter/fax, in person, etc., had no exceptional numbers related to reporting.



Types of Complaints for FY 2015/2016

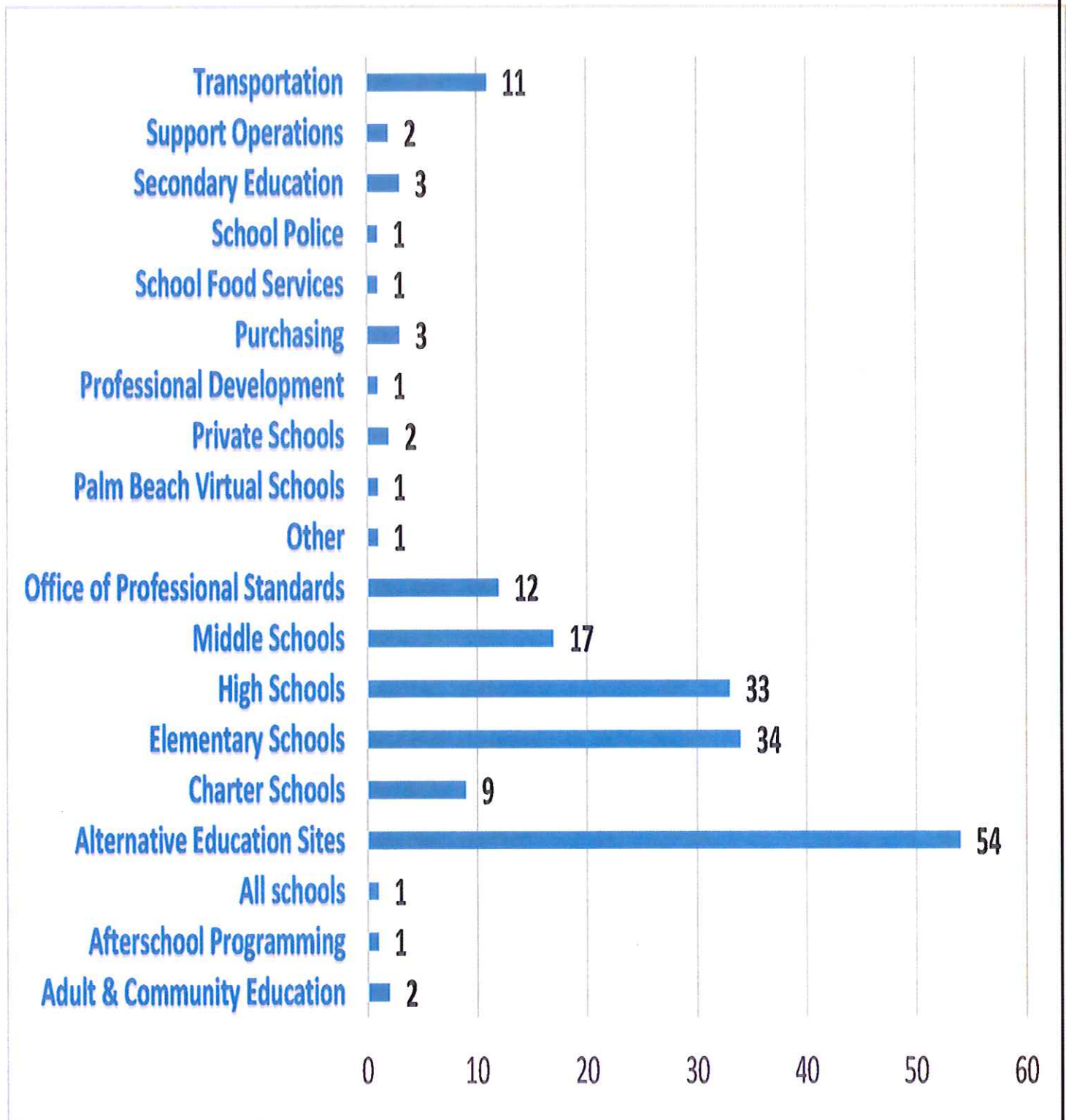
For the above-referenced 189 complaints received, the table below reflects the nature or types of complaints received in FY 2015/16.



* Includes complaints related to Charter Schools

Complaints by Departments/Schools/Programs

For FY 2015/16, the 189 complaints received by the OIG related to the below District departments, schools, and programs, and two private schools as outlined below.

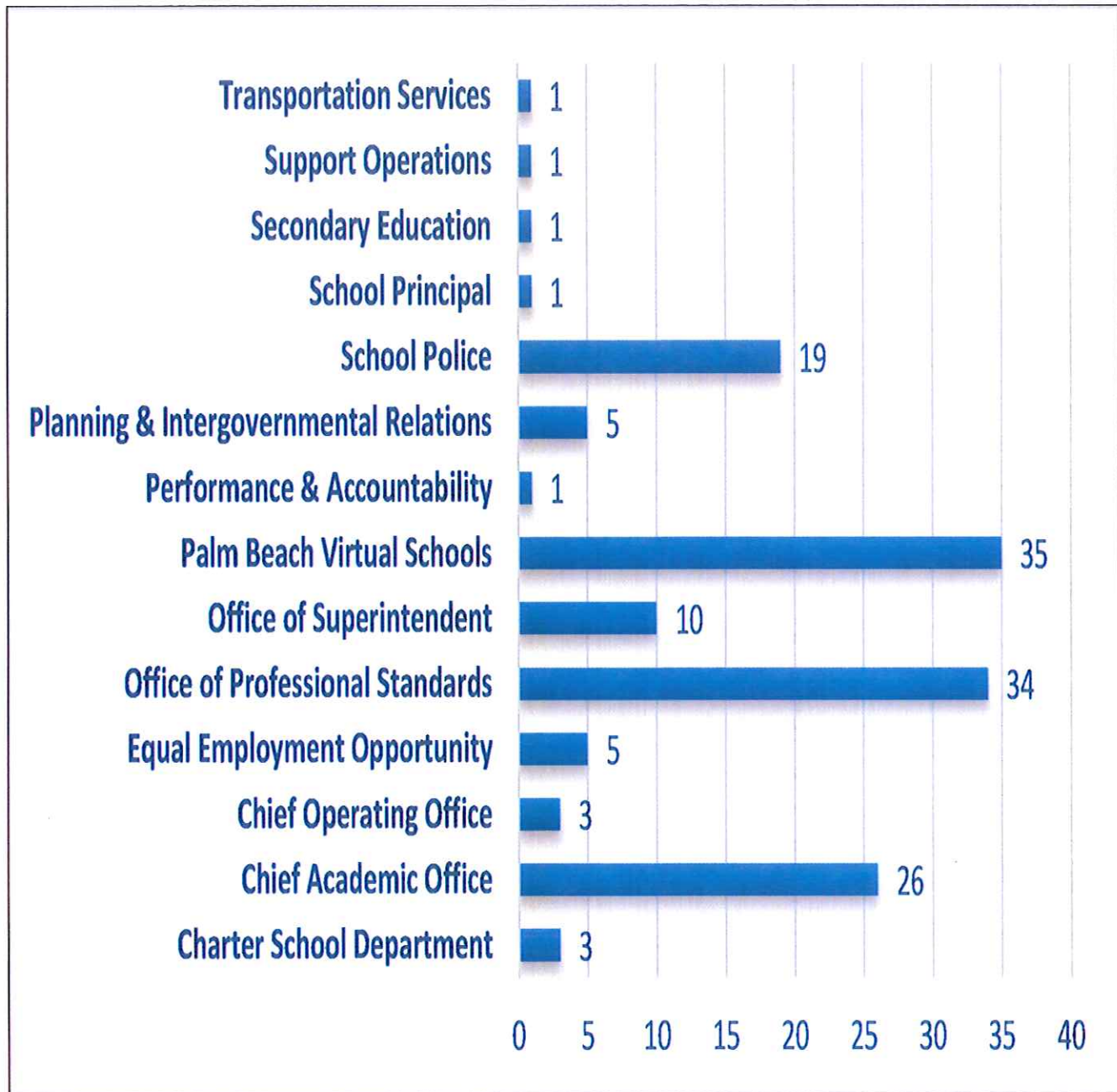


Disposition of Complaints

Forty-four (44) of the 189 complaints received in FY 2015/16 were retained by the OIG, six (6) were partially retained and formally referred, and the remaining 139 complaints, after evaluation, were determined to be more appropriately handled by another department, and were formally referred.

REFERRED COMPLAINTS

The summary of referrals presented below reflect the OIG's work with management, in accordance with Board policy and laws. The referrals below includes the 139 complaints referred in their entirety and 6 partially referred complaints.



OIG RETAINED COMPLAINTS

Status of Retained Complaints

The status of the 50 complaints retained, partially or in whole, is as follows:

STATUS	#
OPEN	22
COMPLAINT WITHDRAWN	1
CLOSED AFTER INVESTIGATIVE REPORT	1
CLOSED AFTER PRELIMINARY REVIEW <ul style="list-style-type: none"> • Insufficient information (11) • No violation/wrongdoing (9) • No jurisdiction (3) • Review/Action Had Been Instituted By Another Department (3) 	26
TOTAL	50

Complaints Carried Forward (FY 2013-2015)

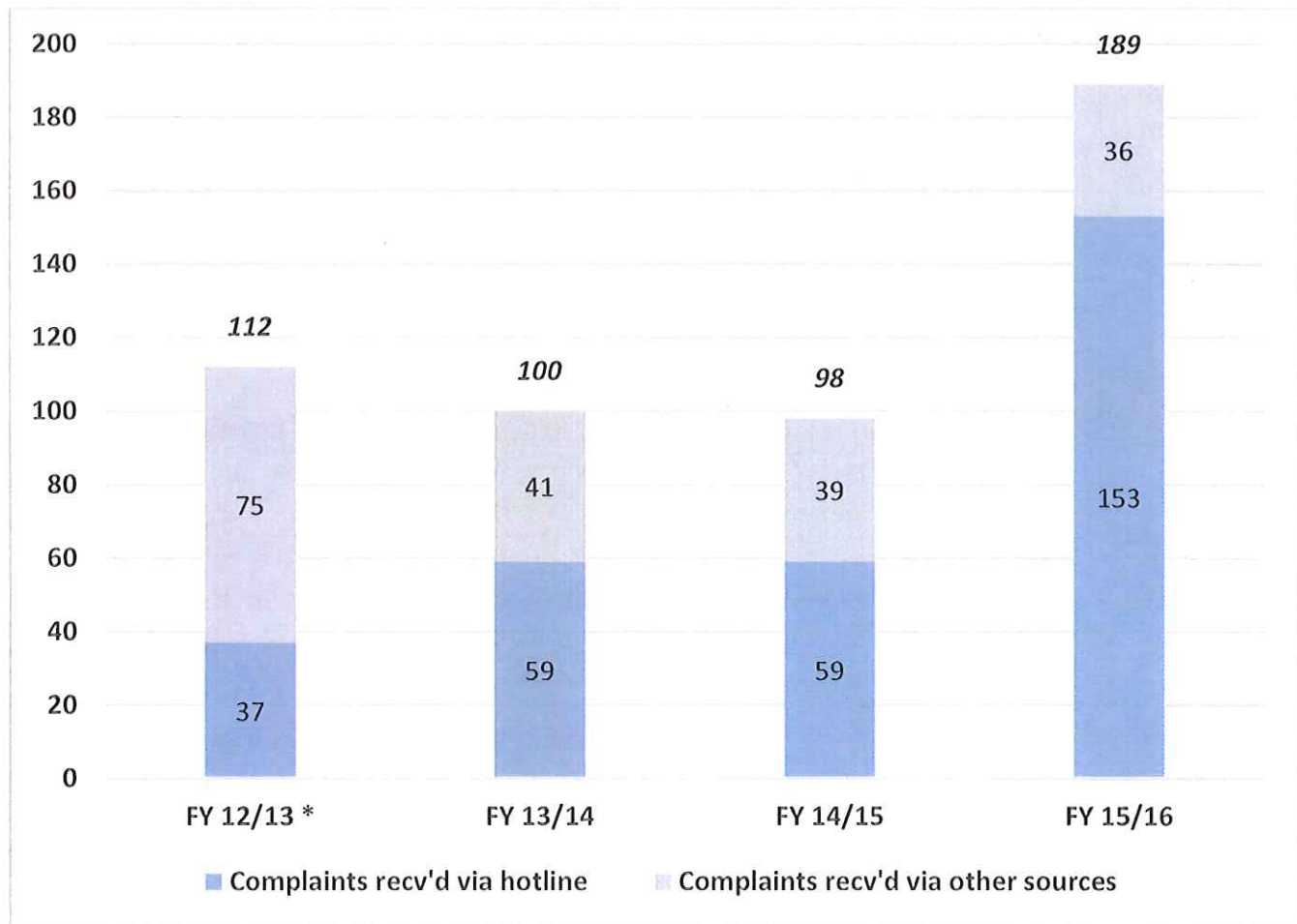
The OIG carried forward **54** complaints from previous fiscal years as illustrated below.

	Fiscal Year 2012/13	Fiscal Year 2013/14	Fiscal Year 2014/15
Carried Forward	19	15	20
Completed – Preliminary Review	(17)	(10)	(5)
Closed for Insufficient Information /No Basis to Move Forward	(1)	(4)	(4)
Turned Over to Another Department/Unit	(1)	0	(4)
No Jurisdiction	0	0	(1)
Remain Open <i>(as of publication of this report)</i>	0	1	6

The OIG carried forward **seven (7)** complaints into Fiscal Year 2015/16. As of this report, the seven complaints remain in open status. A priority of the OIG investigative unit for FY 2016/17 is to eliminate the backlog of complaints carried forward.

Overview of Complaints and Complaints via Hotline

The OIG commenced use of a hotline in March 2013. In 2014, the Association of Certified Fraud Examiners' survey indicates that, by far, the most common way organizations detect fraud is through the use of anonymous tips received via hotlines. Thus, a hotline is considered a "best practice" for any organization that wants to improve the ethics of its workplace culture. The hotline provides employees with a means to report inappropriate actions anonymously and confidentially which can greatly reduce one's fear of possibly being discriminated against, harassed, or retaliated against. Since inception of the OIG Hotline, it is clear employees and others prefer this impartial, third party provider system.



The notable increase in intake/hotline activity from FY 2014/15 to FY 2015/16 is primarily attributable to, but not limited to:

- *Student Safety & Welfare* complaints increasing from 8 in FY 2014/15 to 22 in FY 2015/16;
- *Employee misconduct* complaints increasing from 14 in FY 2014/15 to 33 in FY 2015/16;
- *Falsification of records* complaints increasing from 2 in FY 2014/15 to 10 in FY 2015/16;
- *Personnel complaints* increasing from 6 in FY 2014/15 to 21 in FY 2015/16; and
- *Misappropriation/theft activity* increasing from 3 in FY 2014/15 to 11 in FY 2015/16.

Completed Investigations

School Leases

Case 14-193 The OIG received a complaint regarding an unauthorized sporting event held by an outside organization at the **Pahokee High School** stadium.

The results of the investigation determined that the organization utilized the school's stadium and school facilities on two occasions without the required lease agreement, and without payment. The OIG substantiated an allegation that the organization's treasurer, who was also the school's treasurer, was responsible for preparing and obtaining the lease agreement but failed to do so.

The OIG recommended the following: 1) the school collect the rental charges from the organization; 2) the organization be prohibited from using the school until all outstanding fees are paid and all required documentation is received; and, 3) the school ensures all leasing fees are collected in advance and lease agreements are fully executed at a minimum, 48-hours in advance of the event.

Case 16-409 The Superintendent requested a review of the **Roosevelt Full Service Center** summer camp to determine whether the District had received the required payments for the leasing of the facilities for the camp.

The OIG determined there was an unpaid balance of \$7,492 in rental fees for the use of the school facility for the camp. Subsequent to the OIG's inquiries regarding the unpaid rental fees, full payment was remitted to the school, leaving no unpaid balance.

School Fundraising

Case 15-240 This investigation was initiated in response to a complaint received from the Office of Professional Standards. The complaint is related to the construction academy at **William T. Dwyer High School**. It was alleged Adirondack chairs were built during woodshop class, sold at a local consignment shop without proper fundraising approval, and the proceeds from the sales were not deposited into the school's internal funds account.

The OIG concluded the allegations were substantiated.

Case 15-246 This investigation was initiated in response to a complaint received from the Office of Professional Standards regarding the culinary program at **Santaluces High School**. The complaint alleged a teacher sold packaged food without the appropriate fundraising approval and the proceeds from the sales were not properly deposited into the school's internal funds account.

The OIG concluded the allegations were substantiated.

Expenditures

Case 15-248 The OIG received a complaint alleging the **Crestwood Middle School** Principal paid an intramural supplement for a program that did not exist.

The OIG concluded the allegation is unfounded. However, the OIG recommended the District update current guidance with regard to payment of club and sports supplements for any necessary updates, and require that the prescribed minimum student contact time of 25-hours is met prior to the payment of activity supplements.

Student Placement

Case 15-241 This investigation was initiated in response to a complaint received by the OIG regarding a student removed from the Gilder Lehrman American History & Law Academy at **Spanish River High School**. The complaint alleged the student was improperly removed from the Choice program and improperly denied an appeals process.

The OIG concluded the allegations were substantiated and recommended District administration determine their intent with regard to removal of students from choice programs due to disciplinary infractions, and consistently detail same in written policies and procedures.



CALL THE

HOTLINE

855-561-1010

TO REPORT FRAUD, WASTE AND ABUSE

Section 3

COMPLIANCE AND QUALITY ASSURANCE

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Compliance and Quality Assurance

In General

The Association of Inspectors General *Principles and Standards for Offices of Inspector General* and the United States General 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 sources 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 meet by the Director of Audit or an Audit 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”.



ASSOCIATION OF INSPECTORS GENERAL 2016 Peer Review

The Association of Inspectors General (AIG) conducted a peer review of the audit and investigative units of the OIG from March 14 through March 16, 2016. As a result of the review, the AIG Peer Review Team unanimously concluded that the OIG “complied with the AIG’s *Principles and Standards for Offices of Inspector General*, and the United States Government Accountability Office’s (GAO) *Government Auditing Standards*, for the review period of July 1, 2012 through June 30, 2015. *See Appendix.*

In its April 12, 2016 letter and exit conference, the Peer Review Team identified several areas of distinction for the office. The areas of distinction consisted of:

- Audit Division, its production level, work paper quality and audit report quality.
- Having an in-house legal counsel with relevant experience in oversight and litigation.
- Upcoming hiring of administrative support to coordinate hotline intake and complaint process and to assist with pre-investigatory functions, to ensure investigative staff are available to pursue active cases.
- OIG preparation to apply for credentialing from Commission for Florida Law Enforcement Accreditation.

- Working with other local inspectors general to research and identify case management and electronic work paper software systems, in attempts to improve the OIG's efficiency and effectiveness.

Additionally, the Peer Review Team identified areas for consideration consisting of:

- Improving stakeholder relationships
- Enhancing training opportunities for OIG staff, especially for investigative staff
- Reconsider excluding the names of employees from investigative reports
- Instituting more outreaching and education activities regarding the OIG by: publishing the IG Advisory more often; conducting more education sessions between OIG staff and District departments to explain the duties and authority of the OIG, market the Hotline and other OIG services; and, providing more anti-fraud, waste and abuse awareness or other relevant training.
- Ensuring the OIG Staff Pay is Competitive in the market place.



During the last year, the OIG and Audit Committee reviewed School Board Policies **1.091** (Audit Committee), **1.092** (Inspector General), **3.28** (Whistleblower Protection Policy), **2.62** (Audit Recommendations and Follow-up), and a proposed new policy, Policy **2.61** (Fraud). Below are outlined some of the major recommendations made from the OIG and Audit Committee policy review which are to be provided to the School Board and Superintendent.

✦ **Policy 2.61 (Fraud)** is a newly proposed policy. The policy is modeled after the policy adopted by the Florida Supreme Court for the employees of the Florida State Courts system, consistent the sample fraud policy recommended by the Association of Certified Fraud Examiners and American Institute of Certified Public Accountants, and consistent with the recommendations of Florida Auditor General in its Compliance Supplement for District School Board Audits For the Fiscal Year Ended June 30, 2016. The proposed policy was reviewed and discussed by the Audit Committee at its October 30 and November 20, 2015 meetings. The proposed policy,

- Defines fraud and provides examples of actions constituting fraud.
- Requires District officers and employees, as well as consultants, vendors, and contractors to report known or suspected fraud.
- Charges the Inspector General with investigating allegations of fraud, consistent with the provisions of Policy 1.092.
- Establishes incident/complaint reporting procedures that allow persons to report anonymously.
- Establishes responsibilities for management to:
 - Implement effective systems of internal controls to detect and prevent fraud;
 - Immediately report suspected fraud; and
 - Support and cooperate with the OIG.
- Establishes responsibilities for employees to:
 - Adhere to any applicable internal controls and recordkeeping required for securing and accounting for District resources and assets;
 - Report suspected fraud, or other unethical or unlawful conduct;

- Cooperate fully with investigations; and
- Immediately report suspected fraud, unethical or dishonest activities to OIG.
- Provides a non-retaliation clause
- Provides for employee education

✚ **Policy 1.092 (Inspector General)** was reviewed and discussed by the Audit Committee at its January 28 and February 26, 2016 meetings. Major changes recommended include:

- Definitions for the terms of abuse, fiscal misconduct, fraud, waste and wrongdoing.
 - Requirement to guard against use of “abuse of authority”, as provided in definition of abuse, unless another standard would more accurately characterize the alleged inappropriate conduct or failure to act.
- Clarification that the following matters will be referred to other units for investigations or other actions:
 - Collective Bargaining Agreements;
 - Employee performance and misconduct allegations not involving fraud, waste, financial mismanagement, or fiscal misconduct and other abuse; *and*
 - Equal employment opportunity complaints as provided in Board Policies 3.05 (Equal Employment Opportunity) and 3.19 (Policy Prohibiting Discrimination and Harassment).
- Due Process provision consistent with due process rights provided by law, Board rules, and/or collective bargaining agreements.
- Inclusion of the General Counsel to section entitled “Allegations Regarding Board Members, Superintendent or Inspector General”, and the elimination of employees of the OIG from the section.
- Referral of complaints alleging a violation of the Florida Election Code to the Florida Elections Commission.
- Requirement for IG to refer matters to appropriate District offices or outside agencies, keeping a record of such referral and obtaining a periodic status report on the referral.

✚ **Policy 3.28 (Whistleblower Protection Policy)** was reviewed and discussed by the Audit Committee at its January 28 and February 26, 2015 meetings. Changes recommended include:

- Definitions for “employee” and “adverse personnel actions”, to make them consistent with the definitions in Florida’s Public Whistleblower Act.
- Prohibition of the Board and Superintendent from retaliating against an independent contractor because the contractor disclosed information pursuant to the policy.
- Protection for employees/persons who:
 - refuse to participate in any adverse action prohibited by this policy; or
 - file a written complaint with their supervisors.

✚ **Policy 1.091 (Audit Committee)** was reviewed and discussed by the Audit Committee at its September 17 and October 30, 2015 meetings. Major recommended changes related to expanding the committee’s duties to:

- Through the IG, provide more oversight and review of financial status of District charter schools by:
 - Reviewing and monitoring charter schools’ year-end financial statements and reports prepared by the charter schools’ external audit firms.

- Reviewing and making recommendations to the Board and Superintendent on charter schools experiencing deteriorating financial conditions, or charter schools demonstrating circumstances that have resulted or will result in a state of financial emergency, as provided by law.
- Review and monitor the implementation of any recommendations for corrective actions related to investigations and audits conducted by the Office of Inspector General.

✦ **Policy 2.62 (Audit Recommendations and Follow-up)** was reviewed and discussed by the Audit Committee also at its September 17 and October 30, 2015 meetings. Major recommended changes consist of:

- Adding parameters governing follow-up audits or reviews which:
 - Limits the review to comments in the original audit or report
 - Prohibits the expansion from the original audit scope unless a condition is noted during the follow-up which indicates the potential of fraud, gross mismanagement, or deceit.
- Granting the IG flexibility in adjusting the currently provided 6 month reporting period for follow-ups based upon factors as risk and exposure involved, degree of difficulty, and the significance of timing needed in implementing the corrective actions.
- Expanding the Audit Committee’s inquiry role, through the Inspector General, with division/department heads or school principals, on matter as:
 - Why appropriate action has not been taken;
 - Why commitments made in response to the audit/review were not performed;
 - Circumstances delaying implementation, reason and description of any alternate solutions proposed for implementation; and/or
 - Proposed plan with targeted dates for implementation of audit or review recommendations.
- Providing additional areas for the Audit Committee to report to School Board and Superintendent, including findings or material weaknesses which have not been timely resolved of by auditees, and findings or weaknesses auditees are recommending no action be taken.
- Providing for IG to receive copies of all external audits, reviews or investigations, and notices of entrance and exit conferences.

Accreditation of OIG



An accreditation program has long been recognized as a means of achieving, maintaining, and verifying the highest standards. In 2009, the Commission for Florida Law Enforcement Accreditation expanded its program to include inspectors general offices. In 2015, the Commission for Florida Law Enforcement Accreditation (CFLEA) decided to exclude public entities, other than law enforcement agencies, to obtain accreditation through its body.

CFLEA’s accreditation program is recognized as a means for obtaining the highest standards of professionalism for the investigative functions. It will enhance the consistency and quality of investigations. In order to receive accreditation, the OIG will be required to demonstrate compliance with all the standards, complete a detailed self-assessment, and undergo an on-site review of OIG policies, procedures, and practices.

Although the Commission is not processing new accreditation applications, the OIG Investigative Unit has been revising its policies to include matters necessary to obtain such accreditation.

Professional Development/Certifications/Training

The Compliance and Quality Control 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 the *Principles and Standards for Offices of Inspector General*.

OFFICE OF INSPECTOR GENERAL GROUP TRAINING ACTIVITIES			
DATE	TOPIC	TYPE	# OF OIG STAFF
2/17-19/15	Secretarial Leadership Conference	Seminar	1
7/7/15	PBC Ethics Training	Seminar	1
7/26/15	Deterring Financial Fraud	Webinar	1
7/20-24/15	Association of Inspectors General Summer 2015 – Certified Inspector General Institute	Seminar	1
9/15/15	Everyday Ethics: Using a Practical Tool to Manage Ethical Dilemmas	Webinar	1
9/30/15	The Inseparables: Leadership, Values, and Ethics	Seminar	3
10/2-4/15	International Center for Performance Auditing	Seminar	1
10/9/15	IIA Evolving Skillsets for the Highly Effective Internal Auditor	Seminar	3
10/15/15	High-Impact Audits and Reports: NSAA’s 2015 Excellence in Accountability Award Winners	Webinar	5
10/21/15	Fighting Fraud in the Government	Webinar	1
10/23/15	Bill “Mr. Excel” Jelen at IMA Seminar	Seminar	2
11/2-5/15	Annual CFO/IG Internal Auditor Conference	Conference	1
11/6/15	9 th Annual Ethics Seminar – “Moral Courage in Action”	Seminar	2
10/6/15	GASB 68, 71, 72	Webinar	1
11/10/15	How to Audit Wireless Communication Devices: Can You Hear Me Now?	Webinar	5
12/17/15	Transparency in Local Government	Webinar	1
1/20/16	How Digital Trends are Reshaping Government Financial Management	Webinar	10
1/22/16	IIA Audit, Enterprise, Strategic, Fraud, IT, Cyber Risk	Seminar	7
2/5/16	Fraud, The Internal Auditor’s Role in Prevention, Detection and Monitoring.	Seminar	10
2/9/16	Workers’ Compensation Auditing	Webinar	6
2/16/16	Palm Beach County Bar Association	Conference	1
2/24/16	Best Practices in Visualizing and Dashboarding Data	Webinar	9
4/12/16	Using SharePoint to Manage Audits	Webinar	8
5/16/16	RSM Annual Government Sector Educational Seminar	Seminar	7
6/23/16	CPE Seminar: Ethical Lens Inventory	Seminar	1
7/12/16	Tools for Enhancing Reading Comprehensions	Webinar	12

Section 4

ECONOMIC IMPACT

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VALUE ADDED TO THE SCHOOL DISTRICT DURING FY 2016

FISCAL IMPACT

Projects	Fiscal Impact	
	Increase in Revenues / Decrease in Costs	Questioned Costs/Expenses
Financial and Compliance Audits		
Estimated Revenue Increase in School Facility Leasing Program	\$1,064,891 *	
2015 Internal Funds Audits		
- Disbursements		
• Expenses with no or inadequate documentation		508,293
• Assets Missing/Not Tracked Through Asset Management System		2,790
• Overpayments and unneeded expenses	596	
- Cash Receipts and Fundraisers		
• Cash and fundraising revenues unaccounted for	49,040	
• Undocumented gifts (fundraising items given-away free-of-charge)		7,897
• Fundraiser deficits		3,934
- Leasing of School Facilities		
• Uncollected and undercharged rentals	19,384	
- Afterschool Programs		
• Unapproved/undocumented fee waivers		288
• Undercharged and uncollected program fees	8,683	
	\$1,142,594	\$523,202
Performance & Special Request Audits		
- Audit of Mavericks High at Palm Springs Full Time Equivalent (FTE) Surveys 2 and 3 for Fiscal Year 2013	318,582	
- Special Review of Money Collection Records at Pierce Hammock Elementary School	3,541	
- Follow-up Review of Fundraising Activities at John F. Kennedy Middle School	884	
- Special Review of Money Collection Records at Rolling Green Elementary School	340	
- Special Review of Missing Monies at John F. Kennedy Middle School	376	
- Audit of Purchase Order Procedures	33,067	547,227
- Special Review of Pierce Hammock Elementary School's Parent Teacher Organization		1,267
	\$356,790	\$548,494
Investigations		
- Pahokee High School (Case 14-193)		\$2,100
- Roosevelt Full Service Center (Case 16-409)	7,492	
- William T. Dwyer High School (Case 15-240)		480
- Santaluces High School (Case 15-246)		7,000
- Crestwood Middle School (Case 15-248)		1,150
	\$7,492	\$10,730
Total Fiscal Impact For FY2016	\$1,506,876	\$1,082,426

Sources: Audit and Investigation Reports, and Revenues Analyses.

** Please see next page for estimated revenue increases.*

The OIG is committed to identifying and reducing any possible waste, fraud, and abuse; and to identifying opportunities for achieving economy, efficiency, and effectiveness that may result in the savings of funds that can be used towards teaching and learning. We will continue to identify emerging risks and vulnerabilities throughout the District's operations and programs, recommending corrective actions to ensure that District funds are used for the purposes intended.

BENEFITS OF AUDITING

The benefits of auditing can only come from implementation of audit recommendations. Audit recommendations should result in improvements, and be practical, implementable, and the implementation cost should not exceed the benefits to be derived from the change. Audit reports should present convincing and accurate information, which clearly demonstrates the benefits of implementing audit recommendations.

The value of auditing can be determined by (1) program improvements, (2) increase in revenues, and (3) cost savings resulting from implementing audit recommendations. These improvements include better controls and safeguards against potential loss due to fraud, theft, errors, and mismanagement; improved resource utilization; and increased productivity. All these improvements should ultimately result in providing the maximum support for instructional services at schools and improving student achievements.

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.

***Estimated Increase In Revenues**

The estimated \$1.06 million increase in revenue from the school facility leasing program represented the difference between the actual revenues collected during Fiscal Year 2016 and the 10-year average annual collections during the previous 10 years. The actual revenue collections for the previous 10 years were adjusted for inflation. We believe that improved controls resulting from implementing audit recommendations actions as part of the audit process is a key factor contributing to increased revenue collections. Although there could be other factors contributing to the increase in revenue, these other factors such as improvement in economy, could not be determined when this analysis was conducted.



APPENDIX

**ASSOCIATION OF INSPECTORS GENERAL
PEER REVIEW LETTER**



Association of Inspectors General
524 West 59th Street, 3532N
New York, New York 10018

April 12, 2016

Mr. Lung Chiu
Inspector General
Office of the Inspector General
The School District of Palm Beach County
3318 Forest Hill Blvd., C-306
West Palm Beach, Florida 33406

RECEIVED
APR 19 2016
INSPECTOR GENERAL

Re: AIG Peer Review Management Letter

Dear Inspector General Chiu:

On behalf of the Association of Inspectors General's (AIG's) Peer Review Team (Team), I am writing to share some observations made during our visit to your offices from March 14, 2016 through March 16, 2016. Your office invited the Peer Review Team to conduct a Peer Review of your Audit and Investigations Divisions. **The Team unanimously concluded that your office, the Office of the Inspector General for the School District of Palm Beach County (OIG), complied with the AIG's Principles and Standards for Offices of Inspector General, and the United States Government Accountability Office's (GAO) Government Auditing Standards. An earlier letter to you dated April 11, 2016 provided you with this unqualified opinion.** The purpose of the present letter is to provide a summary of the comments previously shared with you and your executive staff during the March 16, 2016 exit conference.

During the exit conference, the Team provided you with our conclusions regarding compliance, offered our opinions on current operations, noted several areas of distinction, and offered some recommendations for your further review and consideration. The following is a summary of this information. Please note that nothing in this management letter diminishes the Team's unanimous conclusion that your office complied with appropriate AIG and GAO standards for the review period of July 1, 2012 through June 30, 2015.

Areas of Distinction

Your Audit Division impressed the Team with its production level, work paper quality, and audit report quality. We believe this is a testament to the hard work and professionalism of your staff. The Team also recognizes, as do many stakeholders we spoke with, that your office has a long history of producing quality audits. Although the OIG, as it is currently constituted, is only four years old, its predecessor organization, the Office of the District Auditor for the Palm Beach County School District, had often been recognized for its audit work.

In addition to your office's audit work, the Team also recognized the following areas of distinction:

- Having an in-house legal counsel with relevant experience in oversight and litigation is a significant added-value to the OIG. The Team believes that the OIG's legal counsel (Elizabeth McBride) will play a vital role in the growth of the OIG including assisting with investigations, coordinating with stakeholders, and ensuring OIG compliance with law, regulation, policies, and professional standards.
- The OIG is preparing to apply for credentialing from the Commission for Florida Law Enforcement Accreditation. The Team understands that this accreditation has stringent application and compliance requirements and commends this effort.
- The Team noted that the OIG's policy and procedures manual and its policies may have needed updating. However, OIG staff informed the Team that this revision process is well underway. The Team commends the OIG for recognizing this need and for taking the necessary proactive steps.
- The OIG is actively considering hiring administrative support or an entry-level investigator to coordinate the hotline intake and complaint process and to assist with pre-investigatory functions. The OIG recognizes that its limited investigative resources would be better allocated to pursuing active cases than performing routine administrative, intake and research functions. The Team commends the OIG for recognizing the importance of the hotline process and the growing resource demands of the Investigations Division.
- The OIG has started working with other local inspectors general in Florida to research and identify case management and electronic work paper software systems that may enhance what is now a highly paper dependent work process. The Team commends the OIG for recognizing that these types of enhancements could improve the OIG's efficiency and effectiveness which, in turn positively impacts district operations.

Areas for Consideration

- Stakeholder Relationships - Team members met with key external stakeholders. Most stakeholders commended OIG staff for their professionalism and work products and stressed their continuing commitment to maintaining strong working relationships with the OIG. Some school district stakeholders who work closely with the OIG expressed an interest in enhancing these relationships through greater communication. For example, stakeholders suggested having more frequent case meetings and topical discussions with OIG staff and trying to identify opportunities for working more closely with the OIG. The OIG should take advantage of this stakeholder interest to enhance communications. Moreover, the stakeholders would like to work with the OIG to improve the flow and format of OIG final report referrals to their respective offices. For example, one stakeholder expressed an interest in having the OIG notarize its interview notes for investigative cases. If notarizing documents improves stakeholder ability to address OIG

findings and recommendations and to initiate action against offending employees, then the OIG should consider it.

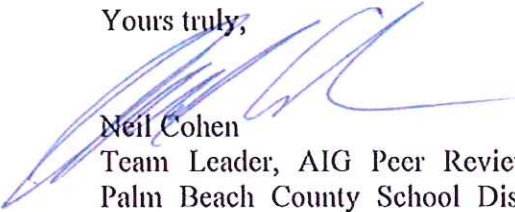
- Training - The Team recognizes that the OIG appreciates the need for staff training and the earning of various professional certifications and continuing professional education credits. The OIG has fully supported these development and training efforts. The Team has recommended that the OIG research additional training opportunities including working with state-level and other local inspectors general to leverage training resources and opportunities. The Team also recommended that the OIG identify and provide additional training in the core areas of investigative functions, including interviewing skills. Staff members identified interview training as a current training need. The Team recommends that the OIG make obtaining interview training for staff a priority.
- Investigative Reports - The Team suggested that the OIG reconsider excluding employee names from its investigative reports. Some stakeholders suggested that the reports would have greater utility if the reports included these names. The Team understands and appreciates the OIG's decision to exclude the names. However, in light of stakeholder requests and concerns raised by some Team members, the Team suggests that the OIG revisit its practice of excluding names from investigative reports. Also, the Team suggested that the OIG consider varying its reporting formats depending on the issue being addressed. The OIG currently uses a single OIG report format for audit and one for investigations. However, the scope and nature of some investigative matters, especially some of the more sensitive and/or more policy-related matters, may be better suited for a letter or narrative format rather than formal report format. The Team realizes the need for reporting consistency and efficiency. But, the OIG needs to consider varying its reporting if this will assist with the communication of salient points to the OIG's stakeholders and effectuate implementation of the OIG's recommended actions.
- Outreach and Prevention – Although the school district created the OIG nearly four years ago, there still appears to be uncertainty amongst school district stakeholders about the OIG's role and authority. This leads to stakeholder concerns that certain OIG activity simply duplicates functions provided by other school district offices. The Team emphatically disagrees with this stakeholder assessment. In our opinion, the OIG functions are not redundant with other district functions. However, the perception exists. To help remedy this misperception amongst stakeholders and district employees, the Team recommends that the OIG consider instituting an outreach and education campaign. This effort could consist of:
 - 1) Issuing more of the helpful IG Advisories or issuing other publications may illustrate to district employees that the OIG does more than investigate and audit district offices. District employees and departments should also see the OIG as providing assistance to and working with them to help prevent and deter wrongdoing which, is ultimately in the best interests of the students.

Mr. Lung Chiu
Management Letter
April 12, 2016
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- 2) Conducting education sessions between OIG staff and school district departments to explain the duties and authority of the OIG, to put a "face" on the OIG, and to market the OIG hotline and other services the OIG provides.
 - 3) Providing anti-fraud, waste and abuse awareness or other relevant training for district employees. The following link is to a report that you might find instructive concerning the education and outreach efforts conducted by New York City's Department of Investigation:
http://www.nyc.gov/html/ia/gprb/downloads/pdf/NYC_Anti-corruption%20Educational%20Campaign.pdf.
- o Competitiveness of Staff Pay - During the review period, the OIG has seen a fair amount of staff turnover. According to OIG managers, staff members often leave for higher paying positions elsewhere in government, including other inspectors general offices. The OIG believes that its pay-scale may not be competitive with other local OIGs. The Team believes that staff turnover can have a detrimental impact on a new OIG. The OIG is making a significant investment in staff and office development and turnover can severely diminish the return on this investment. The OIG's ability to meet its mandate and to develop a robust investigative function can be severely inhibited by staff turnover. The Team recommends that a salary survey of other inspectors general offices in South Florida be conducted, to determine whether the district offers competitive salaries. The OIG and the School Board should work together to ensure that the OIG remains competitive and can obtain and keep talented employees for the benefit of the district.

Lastly, we would like to commend the Inspector General on leading a professional and productive organization. The scope of your office's jurisdiction (providing oversight for one of the largest school districts in the nation) and your office's mandate and responsibility are fairly unique as one of the few school district OIG's in the nation. Moreover, there are distinct challenges in transitioning from primarily an audit operation to an inspector general's office that encompasses more investigations and other oversight functions. Although your office continues its transition process, it should be recognized for the positive and hard work that has been done to date. We hope that you and your staff find our comments helpful and we look forward to continuing to support your organization's needs in the future. Please feel free to contact me or any member of the Peer Review Team if you have any questions.

Yours truly,



Neil Cohen
Team Leader, AIG Peer Review for the
Palm Beach County School District OIG,
March 2016

cc: Lita McHugh, Team Member, AIG Peer Review
Rick Bodnar, Jr., Team Member, AIG Peer Review

Tell us about fraud, waste, or abuse involving PBCSB departments, programs, contracts, or funds



Email

pbcsd@ethicaladvocate.com



855-561-1010

We encourage you to use the above email or Hotline to file a complaint. However, you may call the Office of Inspector General to file a complaint.



**File a WRITTEN
COMPLAINT
With the OIG**

Suite C-306, FHESC

561-434-7335

officeofinspectorgeneral@palmbeachschools.org