



PreK-12 Quality Subcommittee

October 25, 2017

8:00 AM

Reed Hall (102 HOB)

Meeting Packet

**Richard Corcoran
Speaker**

**Jake Raburn
Chair**

Committee Meeting Notice

HOUSE OF REPRESENTATIVES

PreK-12 Quality Subcommittee

Start Date and Time: Wednesday, October 25, 2017 08:30 am
End Date and Time: Wednesday, October 25, 2017 10:00 am
Location: Reed Hall (102 HOB)
Duration: 1.50 hrs

Panel Discussion on School District Financial Accountability

NOTICE FINALIZED on 10/18/2017 4:15PM by Juszczuk.Erin



School District Financial Accountability

Florida House of Representatives
PreK-12 Quality Subcommittee
October 25, 2017



www.FLDOE.org

1



Notice Required By School District

- Superintendent must provide written notice to the school board and the Department of Education if the following occurs at any time:
- The portion of the school district's general fund's ending balance not classified as restricted, committed or nonspendable in the operating budget is projected to fall below **3** percent of the projected general fund revenues.
- (s. 1011.051, F.S.)

www.FLDOE.org

2

Plan Required by School District

- Superintendent must provide a plan to Department of Education if the following occurs at any time:
- The portion of the school district's general fund's ending balance not classified as restricted, committed or nonspendable in the operating budget is projected to fall below **2** percent of the projected general fund revenues

- (s. 1011.051, F.S.)

Financial Emergency

- If the plan is not found by the Commissioner of Education to avoid a financial emergency, the Commissioner appoints a Financial Emergency Board
- To avoid a declaration of a financial emergency, the district must propose a financial plan that is reasonably likely to avoid the ultimate financial emergency: the inability to pay its obligations
- The Financial Emergency Board reviews district operations and determines what is needed to bring the district into compliance
- The district is required to develop a recovery plan, in consultation with the Financial Emergency Board
- (s. 218.503, F.S.)

Powers of the Commissioner of Education While District is in Financial Emergency

When in a financial emergency, the Commissioner is authorized to:

- Prohibit the district from issuing bonds or other forms of debt
- Require approval of the district's budget and restrict spending so that it is only in accordance with the budget
- Inspect and review all records and assets of the district necessary to resolve the financial emergency

- (s. 218.503, F.S.)

State Board of Education Power Under s. 1008.32, F.S.

- In addition to the authority of the Commissioner of Education while in a financial emergency, if the State Board of Education determines that a school board is unwilling or unable to comply with law or state board rule, the Board has the authority to initiate any of the following actions:
 - Report to the legislature and recommend action to the legislature
 - Withhold the transfer of state funds, discretionary grant funds, discretionary lottery funds, or any other funds specified as eligible for this purpose by the legislature until the school board complies
 - Declare the district ineligible for competitive grants
 - Require reporting until noncompliance remedied



Florida Department of Education (FDOE) School District Financial Accountability

- Financial and operational audits are conducted by the Auditor General or a private accounting firm
 - Within 30 days of receipt, the FDOE finance office reviews the audit report, logs each audit finding and assigns each audit finding to the appropriate FDOE program office or outside agency.
 - Audit findings related to financial condition, significant deficiency, material weakness, ad valorem taxes, sales surtax, and questioned costs are followed up immediately by the FDOE finance office and final resolution is documented. Documentation of enhanced district procedures is required when recommended in the audit finding.
 - For all other findings, the district is allowed two months from the receipt of the audit or from the date of the district's management response to the audit report, whichever is earlier, to implement corrective measures. After this time period, the district is contacted to provide documentation supporting resolution of the audit finding.
 - FDOE program offices and outside agencies provide a management decision letter to the FDOE finance office regarding resolution of the audit finding.



Florida Department of Education (FDOE) School District Financial Accountability (continued)

- Annual review of school district annual financial report, program cost report and school district summary budget
 - Financial condition ratio (FCR), which is assigned and unassigned fund balance divided by revenues, of less than 3 percent
 - Revenue and expenditure variances from the prior year
 - Expenditures per full-time equivalent student
- Program cost report monitoring
 - In-depth monitoring is performed for 22 school districts each year to analyze the district's process for calculating expenditures for programs that are funded by the Florida Education Finance Program

Office of Inspector General

Pursuant to section 1001.20 F.S., the Office of Inspector General:

- Is organized using existing resources and funds and is responsible for promoting accountability, efficiency, and effectiveness and detecting fraud and abuse within school districts, the Florida School for the Deaf and the Blind, and Florida College System institutions in Florida.
- Shall conduct, coordinate, or request investigations into substantiated allegations related to waste, fraud, or financial mismanagement if the Commissioner of Education determines that a district school board, the Board of Trustees for the Florida School for the Deaf and the Blind, or a Florida College System institution board of trustees is unwilling or unable to address the substantiated allegations.



www.FLDOE.org





Florida Auditor General
House PreK-12 Quality Subcommittee
October 25, 2017

Introduction

Gregory Centers, CPA

- Deputy Auditor General -
Educational Entities and Local
Government Audits

District School Board Audits

- Auditor General:
 - Authority
 - Audit Objectives
 - Scope of Audits
 - Summary of Audit Findings
 - Legislative Auditing Committee Notification
 - Other Duties
- External vs. Internal Audits
- Questions

3

Auditor General Authority

- Pursuant to State law, the Auditor General has extensive audit responsibilities involving educational entities, including district school boards, State universities, and State colleges.
- These responsibilities include external financial audits, which encompass a determination of compliance with Federal award requirements, and external audits of selected operations.

4

Auditor General Authority

State law requires the Auditor General or other independent CPAs to annually conduct district school board financial audits.

- Pursuant to Section 11.45(2)(d), Florida Statutes, the Auditor General annually conducts financial audits of district school boards in counties with populations of fewer than 150,000, according to the most recent Federal decennial Statewide census.
- Pursuant to Section 11.45(2)(e), Florida Statutes, the Auditor General conducts financial audits of district school boards in counties with populations equal to or more than 150,000, once every 3 years and a private CPA firm perform audits these school districts for the other 2 years.

5

Auditor General Authority

The Auditor General is also required to conduct an operational audit of each district school board at least once every 3 years pursuant to Section 11.45(2)(f), Florida Statutes.

6

Financial Audit Objectives

Our financial audit objectives are to determine whether district school boards and their officers with administrative and stewardship responsibilities for district operations:

- Present the financial statements in accordance with generally accepted accounting principles.
- Establish and implement internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on major Federal awards programs.
- Comply with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to major Federal awards programs.

7

Financial Audit Scope

Our financial audit scope includes:

- Examining school district basic financial statements and the schedule of expenditures of Federal awards.
- Obtaining an understanding of the school district control environment, including internal control.
- Assessing the risks of material misstatement necessary to plan the audit of the basic financial statements and Federal awards programs.
- Examining various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

8

Operational Audit Objectives

Our operational audit objectives are to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.

9

Operational Audit Objectives

- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for applicable prior audit findings.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

10

Operational Audit Scope

Our operational audit scope is based on professional judgment in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered. The process includes, for example, consideration of:

- Input from the House and Senate committees' legislative staff to identify areas of elevated legislative concern for audit coverage.
- Alleged improprieties communicated by:
 - Concerned citizens.
 - News media.
 - Internal or External audit reports.

11

Operational Audit Scope

- Our examinations of Board minutes to identify and evaluate significant contracting activities such as contracts for construction, design professionals, enterprise resource software purchases, energy savings, and other contractual services.
- Our scans of budget and actual transactions.
- Our standard operational audit topics that were developed based on control weaknesses or noncompliance cited on other audits.

12

Operational Audit Scope

Our operational audit scope is designed to:

- Identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices.
- The focus of our operational audits is to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management.

13

Summary of Significant Findings

- State law requires the Auditor General to annually compile a summary of significant findings and financial trends identified in district school board audits.
- For the 2015-16 fiscal year, reports for 25 school districts contained no findings, while financial and operational audit reports for the remaining 42 school districts included a total of 252 findings.
- 3 of the 42 school districts (Jefferson, Leon, and Taylor) were cited for material weaknesses.

14

Summary of Significant Findings

The 2015-16 fiscal year financial and operational audit report findings for the 42 school districts had, for example:

- Information technology control deficiencies at 25 school districts.
- Record keeping and financial records management deficiencies at 22 school districts.
- Improvements in controls over payroll and personnel needed at 18 school districts.

15

Summary of Significant Findings

Findings in school district reports included:

- Deficiencies in the administration and oversight of virtual instruction programs at 11 school districts.
- Improvements needed in controls over construction and capital outlay expenditures processes at 10 school districts.
- Cash control deficiencies at 6 school districts, including 4 school districts that needed to improve bank reconciliation procedures.

16

Legislative Auditing Committee Notification

- State law requires the Auditor General to notify the Legislative Auditing Committee of any district school board audit report that indicates the district school board failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports.
- Of the 252 findings included in the 2015-16 fiscal year audit reports reviewed, 46 findings (18 percent) were also included in the two preceding financial or operational audit reports. This represents a change from the 67 findings or 21 percent similarly noted for the 2014-15 fiscal year.

17

Auditor General - Other Duties

- Compliance Supplement – District School Board Audits
- Rules of the Auditor General
- Report – Review of District School Board, Charter School, and Charter Technical Career Center Audit Reports
- Transparency Notification

18

External vs. Internal Audits

- External audits must be conducted pursuant to applicable Federal and State law, generally accepted auditing standards, and *Government Auditing Standards (GAS)*. Additionally, private CPA financial audits must comply with Rules of the Auditor General.
- Internal audits are authorized, but not required. Moreover, the law does not require internal audits to comply with the *International Standards For the Professional Practice of Internal Auditing (IIA Standards)* or *GAS*.

19

External vs. Internal Audits

- The *IIA Standards* require an internal audit activity to, for example:
 - Have its purpose, authority, and responsibility formally defined in an internal audit charter.
 - Be independent and objective in performing its work.
 - Report to a level within the organization that allows the internal audit activity to fulfill its responsibilities and confirm to the Board, at least annually, the organizational independence of the internal audit activity.
 - Perform engagements with proficiency and due professional care.
 - Receive continuing professional development.

20

External vs. Internal Audits

Eighteen of the 67 school districts employ internal audit staff:

- 14 school district internal auditors are responsible for performing audits of school district operations and must comply with *GAS*, *IIA Standards*, or both.
- 4 school district internal auditors are only responsible for performing audits of school internal funds and are not required to comply with externally established auditing standards.

School internal funds are used to administer moneys collected at schools in connection with school, student athletic, class, and club activities.

21

Questions or Comments?

22

Contact Information

Gregory Centers, CPA, Deputy Auditor General
gregcenters@aud.state.fl.us

Office of the Auditor General Web site:
FLAuditor.gov

**Florida School Boards
Association**



Andrea Messina, Executive Director
Mike Pressley, Glades County SB Member
Scott Bass, Glades County Superintendent

MISSION

...to increase student achievement
through the development of effective
School Board leadership and
advocacy for public education.



FSBA Structure and Governance



MEMBER DISTRICTS



MEMBERS



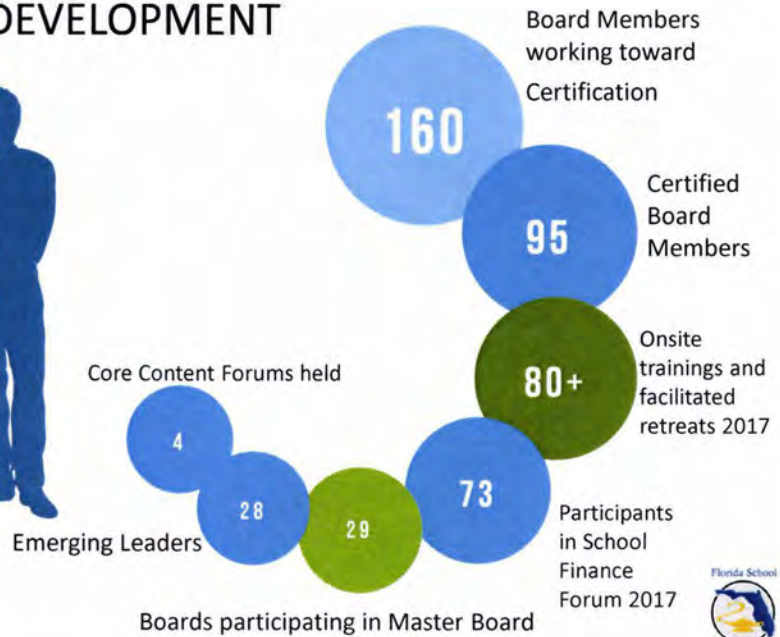
BOD MEMBERS



GOVERNANCE MODEL



PROFESSIONAL DEVELOPMENT



PROFESSIONAL DEVELOPMENT

Individual Member	Governance Team
Emerging Leader, Certified Board Member Programs	Master Board Program



2-year CYCLE **TRAINING** OPPORTUNITIES-formal (year 1)



Nov/Dec: New SB
Member Academy
Part I
Annual Joint
Conference



Feb: Certified Board
Member Forums—
School Finance,
Personnel and
Bargaining Issues



March: New SB
Member Academy
Part II

Annual Day in the
Legislature



June: Annual
Summer Conference



2-year CYCLE **TRAINING** OPPORTUNITIES-formal (year 2)



Sept: Certified
Board Member
Forums—Policy
Governance,
Boardmanship



Nov/Dec: Annual
Joint Conference



March: Annual Day
in the Legislature



June: Annual
Summer Conference



TRAINING OPPORTUNITIES—other



- Mentor interaction
- Technical Onsites
- Master Board
- Board Development Blog
- CHATS
- Webinars
- Committee involvement
- One on ones
- Consultations



ROLES AND RESPONSIBILITIES general

School Board	Superintendent
Governs—guides and directs	Administers—operates and manages
Decides WHAT	Decides HOW
Requests information	Seeks and provides information
Considers issues	Provides recommendations
Creates, reviews, and adopts policies	Implements plans
Monitors progress	Reports progress
Designates positions, approves job descriptions, and acts on personnel nominations	Directs employees' work, recommends job duties, and nominates personnel for positions
Approves evaluation criteria and procedures for personnel	Supervises and evaluates personnel
Provides direction, reviews and approves budget	Formulates the budget
Represents the public interest	Acts in the public interest



FINANCIAL EMERGENCY roles and responsibilities

School Board <small>s. 1011.051, F.S.</small>	Superintendent <small>s. 1011.051, F.S.</small>
Maintain an unreserved general fund balance that is sufficient to address normal contingencies	
	Provide written notification to the board if unreserved fund balance is projected to fall below 3%
	Provide written notification to the school board and Commissioner of Education if reserves are projected to fall below 2%
See s. 218.503, F.S. for safeguards and additional measures that may be imposed by the Governor or the Commissioner of Education, including the requirement of a Financial Emergency Plan, establishment of a Financial Emergency Board, and failure to resolve financial emergency constituting malfeasance, misfeasance, and neglect of duty.	



BUDGET AND FINANCE roles and responsibilities

School Board <small>s.1001.45(12), s. 1003.02(1)(g), and 1001.42(12)(13), F.S.</small>	Superintendent <small>s. 1001.51(11), F.S. and 6A-1.008, FAC</small>
Cause to be prepared and then adopt the annual district budget	Prepare and present to the school board the proposed budget by a specific date and in balanced form
	Prepare, after consulting with principals, tentative annual school budgets
May employ an internal auditor	
May contract with an independent certified public accountant to conduct an audit	
File periodic statement with the Florida DOE	Prepare and file copies of periodic reports, required by State Board Rules, with the Florida DOE
	Provide a monthly financial statement to the school board AND an annual financial statement to the school board and the Florida DOE



BUDGET AND FINANCE roles and responsibilities

School Board 1001.42(12), F.S.	Superintendent s. 1001.51(11), F.S.
Require accurate accounting	Maintain accurate accounting records of all financial transactions
Implement a system of accounts to assure that payments do not exceed amounts budgeted	Keep an accurate account of all funds transmitted and expected to the school district and report to the school board any delays that occur
Make available all records for proper audit by state officials or an independent certified public accountant	Maintain accurate and current statements of accounts due and certify these statements as correct
	Keep or have kept accurate records of all financial transactions



BUDGET AND FINANCE roles and responsibilities

School Board s. 1001.42(12) and s. 1001.43(2), F.S.	Superintendent s. 1001.51(11), F.S.
May adopt policies providing for fiscal management of the school district; for example, policies governing school purchasing, fundraisers, district budgeting system, etc.	Recommend policies, plans, and procedures for investments, protection against loss, and tax levies
Provide for adequate protection against any loss or damage to school property, including liability	Recommend programs or procedures to protect the district against loss or damage to school property or against other district liabilities
	Recommend employees who should be bonded as safeguards for funds or property
Secure up-to-date purchasing regulations from the Florida Department of Management Services and give consideration to the lowest price available under such regulations	Develop guidelines to ensure purchasing regulations are being followed
	Recommend policies to provide for the investment or deposit of funds not needed for immediate expenditure
	Liquidate board obligations in accordance with district school board rules



BUDGET AND FINANCE roles and responsibilities

School Board s. 1003.02(1)(g), and 1001.42(12), F.S.	Superintendent s. 1001.51(11), F.S.
Arrange for the levying of district school taxes necessary to provide the amount needed from district sources to operate the district	Recommend, on the basis of needs, the amount of the district school tax levy necessary to meet district needs
	Recommend plans and procedures for holding and supervising all district millage elections
Fix and prescribe bonds and pay bond premiums	Recommend amounts of bonds to be issued in the school district and assist in preparation of paperwork for holding a bond election
	If approved by voters, recommend plans for sale of bonds and proper expenditure of funds derived from the sale



BUDGET AND FINANCE roles and responsibilities

School Board s. 1001.42(12), F.S.	Superintendent s. 1001.51(11), F.S.
Contract for materials and supplies and other services	Recommend contracts for supplies, materials, and services and ensure provision of contracts are followed
Borrow money	Recommend, when necessary, the borrowing of money
	Invest or deposit all monies not immediately needed for expenditure





Andrea Messina, Executive Director

messina@fsba.org

850.414.2578 office

850.566.1860 cell