

Projects for 2006-07 Audit Plan

A. Special Requests and Emergency Audits (2,285 Hours)

B. Internal Fund Audits (8,600 Hours)

This is the third year we perform Internal Fund Audit in-house. We will give priority to those schools with more serious and repeated findings, and those with changes in principals or bookkeepers. The Internal Fund Audits will involve follow up on prior year's findings, and testing of compliance and internal controls. The new review will include examination of:

- Expenditures and payroll for SACC program at all schools
- Expanded testing on those needy schools within 5+ findings
- Compliance testing of cash collection procedures
- Testing of revenue collection and payroll at community school programs
- Testing of disbursements to principals, bookkeepers, and head secretaries

C. Charter School (1,758 Hours)

The School District oversees a total of 40 charter schools located throughout Palm Beach County. Total projected Florida Education Finance Program (FEFP) revenue for these schools is approximately \$50 Million for School Year 2006-07, with total projected enrollment of 7,400 students.

Our primary focus for auditing charter schools will be to determine compliance with provisions of their *Charter Agreements* and *Florida Statue*, by conducting on-site reviews of business and financial records. Some of the most common findings with charter schools included:

- poor governance where governing boards did not adequately oversee the schools
- not following established accounting policies and procedures
- operating under a weak internal control system
- performing unsound business practices

Through our audits, we will help determine if effective internal controls are in place for charter schools, and provide assistance in strengthening financial oversight by the School District.

<u>Projects</u>	<u>Budget Hours</u>
1. Survivors Boynton Beach Follow-up	100
2. Survivors West Palm Beach Follow-up	100
3. Corebridge Educational Academy	150
4. Bright Futures International & Academy for International Studies	200
5. Review CPA Audit Reports submitted by Schools noting: Reportable Conditions Material Weakness in Internal Controls Deficit Fund Balances	50
6. Communicate/Meet with CPA's and District Staff, assess risks and determine schools in most need of audit	50
7. Follow-up – Joseph Littles Nguzo Saba Charter School*	300
8. School TBD	100
9. School TBD	200
10. School TBD	200
11. Assistance to other Departments/Agencies/Administrative	308
	1758

Follow-up on Joseph Littles Nguzo Saba Charter School Audit

The 2005 Audit of Joseph Littles Nguzo Saba Charter School was conducted in January 13, 2006, and identified the following findings:

- a. School did Not Perform Criminal Background Screening for Teachers as Required
- b. School Hired Teachers without Social Security Numbers
- c. School May Have Violated Federal Tax Law
- d. School Hired Non-Certified Instructional Staff
- e. Violations of Life/Safety/Health Codes Uncorrected
- f. Questionable Uses of Public Funds
- g. Vacancies on the Governing Board
- h. Financial Condition
- i. Some Assets Not Listed on School's Fixed Asset Inventory
- j. School Maintained the Required Insurance Coverages.

In response to the request of the Audit Committee, a follow-up audit is to be conducted to determine the extent to which corrective actions were implemented.

D. Program and Department Audits

1. Implementation of ERP (600 Hours)

We plan to conduct a post-implementation audit of PeopleSoft Payroll and Human Resources. There are numerous incidents of over payment, underpayment, and non-payment to employees in their paychecks.

The scope of the post-implementation audit includes an assessment in the following Payroll and Human Resources areas:

- Application Security
- Data Integrity
- Contingency Planning
- Communications and Training
- Help Desk Support
- Review the status of on-going activities and tasks

2. Monitoring of FTE Audits Corrective Actions (300 Hours)

The 2003-04 FTE Audit (released in 2005) conducted by State Auditors revealed findings that involved six departments:

- Human Resources Customer Relations
- Administrative & Non-Instructional Staffing Services
- Multicultural Education
- IT Application Services
- Transportation
- School Choice and Choice Programs

Our follow-up of FTE Audit completed this year provided a self-assessment in determining whether the School District has addressed all audit issues, and is ready for the 2006-07 FTE Audit. Our assessment revealed that most State audit findings were still valid. We recommended that the School District take immediate corrective action so that 2006-07 records to be audited should yield the least negative FTE funding adjustment.

3. IT Security Enhancement and Controls (500 Hours)

As a result of the recent hacking incident with the District Student records, the Department of Information Security has taken an initiative to strengthen the overall security infrastructure in network, computing platforms, and applications. Various security enhancements procedures were developed. The project will focus on determining the extent to which such enhancement procedures are implemented, and whether these procedures have helped improve the security controls.

As exempted by **Section 119-071 (1) (f) of Public Records Law**, sensitive information obtained through this audit will be shared with the School Board in executive sessions.

4. E-Rate Revenue Collection (500 Hours)

E-Rate is a revenue sharing program with the Federal Government from phone-line access changes. This project will determine if the School District is receiving its proper share of revenues. For fiscal year 2005-06, estimated total E-Rate revenues from the Federal Government was \$2.6 Million.

5. Corrective Action in Response to the Audit Finding from Leasing of School Facilities (300 Hours)

Recent Internal Fund Audits of Schools revealed a significant widespread of inconsistency in handling leases of school facilities throughout the School District. Findings included: leases without or with insufficient insurance coverage, leases without prequalification, commercial leases charged with non-profit rate, unsigned lease agreement, and lease payment no paid prior to use of facilities. This audit will focus on the extent to which Real Estate Department has implemented the planned corrective actions.

6. Hurricane Recovery (200 Hours)

The audit will focus on determining the following:

- a. Total damages caused by the recent hurricanes (Frances, Jeanne, Katrina and Wilma).
- b. Reimbursements from FEMA, Red Cross, State, other Federal governments, and insurance, if any.
- c. Status and progress of clean up reconstruction work
- d. Review the preparation plan for following year.

7. Internal Fund – Alike Projects (600 Hours)

There are several internal fund alike programs that involve cash collecting for delivering certain services such as Safe School Training Program, Annual Golf Tournament, and Cafeteria at District Administration Center. This project will review the control procedures and determine if assets are safeguarded properly.

8. Flea Market Fundraiser at Lake Worth High School (200 Hours)

The Flea Market Fundraiser at Lake Worth High School was started in 1987. This fundraiser was initially established to provide scholarships and to assist other schools. Lake Worth High School contracted with a private contractor who operates the flea market and receives a weekly fee. Vendors use the spaces at various rates. Shoppers attend free. On Mondays, the contractor deposits collections directly to the school's bank, and turns in the deposit receipts with a reconciliation of the day's collections.

This audit will assess the general control procedures and determine if revenues and expenditures were accurate and properly accounted for.

- E. 2005-06 Ongoing Projects** – The following 2005-06 projects are being deferred to 2006-07 due to the shifting of resources to focus charter school related issues and audits during 2005-06.

10. Corrective Actions of Safety Violations (200 Hours)

As indicated by *Auditor General's June 2005 Operational Audit Report of the School District*, 83% of safety violations at five selected schools were previously cited, ranging from one to 12 years. Failure to provide for timely correction of facility deficiencies results in increased risk and additional cost for future maintenance.

This audit will examine the extent of corrective actions developed and implemented by staff.

11. Contract Compliance (200 Hours)

The District entered into a contract in May 2005 with WHLS to provide three Life Skills Centers in Palm Beach County, a program of education training and related services for at risk students in grades 9-12, at \$6,800 per unweighted FTE per year. This audit will determine (1) the extent to which WHLS complied with the contract provisions, and (2) whether all deliverables stipulated in the contract are performed accordingly.

12. Purchasing Cards (258 Hours)

The project was deferred from 2005-06 also due to staffing resources issue. The purchasing card program is administered by the Purchasing Department through procedures for how purchasing cards are used and how District funds are spent. Purchasing establishes control procedures to provide reasonable safeguards against fraudulent, improper, and abusive purchases.

The audit will (1) assess the adequacy of the internal controls, (2) test the effectiveness of internal controls using statistical sampling, and (3) use data to detect instances of potentially fraudulent, improper, and abusive transactions.

Since the inception of the purchasing card program, the District has expended \$4,998,309 in 26,167 transactions. During the months July 1, 2005 to March 31, 2006, the District has spent \$2,569,830 in 13,627 purchasing card transactions. A total of 760 purchasing cards have been issued to District employees.

13. Vending Machines in Schools (200 Hours)

This audit will examine the general controls in this fundraiser activity. Currently some schools utilize the District contract to have the designated vendors providing the food, snacks, and beverages at the schools, and the schools receive a fixed percentage of the revenues. Some schools conduct this activity themselves without going through the contractor.

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