

# STATE OF FLORIDA AUDITOR GENERAL

## Operational Audit

Report No. 2022-149  
March 2022

### BROWARD COUNTY DISTRICT SCHOOL BOARD



Sherrill F. Norman, CPA  
Auditor General

such notifications, District contracts with applicable law enforcement agencies should require the agencies to promptly inform the District when such incidents occur.

## **Finding 2: Audits – School Internal Funds**

School internal funds provide an accounting for various school club and class activities. The *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book)<sup>6</sup> requires the Board to provide for an annual audit of the school internal funds. State law<sup>7</sup> requires the District to provide for an audit of its financial statements to be completed within 9 months after fiscal year end. As school internal funds are an integral part of the District financial reporting entity, it is important that the school internal funds audits be available for consideration during the District financial statements audit.

The District employs internal auditing staff to audit its school internal funds and the Board established an Audit Committee to receive and evaluate the District school internal funds audits. The Audit Committee consists of 12 members and each member is appointed by one of the 9 Board members, the Superintendent, the District Advisory Council, or the Broward County Council of Parent Teacher Association.

At June 30, 2020, the District reported, in total for the District's 226 schools, school internal funds assets and liabilities of \$20 million each. In response to our inquiry, the District Office of the Chief Auditor indicated that June 30 following the fiscal year end was the date that the school internal funds audit reports should be presented to the Audit Committee and the reports are typically presented at the Board meeting the following month. However, the Board had not established a deadline to provide sufficient time for the audit reports to be considered in the preparation of the District financial statements (due by September 11th after fiscal year end) or the District financial statements audit (due by March 31st, 9 months after fiscal year end).

Our review of school internal funds audit reports for the fiscal year ended June 30, 2020, disclosed that 97 of the 226 school internal funds audit reports had not been completed and presented to the Board as of September 14, 2021, which was over 1 year after the District's June 30, 2020, fiscal year end. According to District records, for those 97 schools, the school internal funds assets and liabilities each totaled \$14.3 million. In response to our inquiry, District personnel indicated that the COVID-19 pandemic and associated school closures created logistical difficulties in connecting with school bookkeepers and obtaining and transporting records for many audits to be completed timely.

Notwithstanding the difficulties universally experienced during the global pandemic, when school internal funds audit reports are not completed timely and presented to the Board, the relevance and usefulness of the reports for evaluating internal controls over school internal funds and District compliance with laws, rules, and Board policies relating to those funds is diminished. Timely completed and presented reports would also provide ample opportunity for the audits to be considered during the District financial statements audit. Similar findings were noted in our report Nos. 2019-210 and 2016-180.

**Recommendation: The Board should establish a completion date for school internal funds audit reports that provides sufficient opportunity for the audits to be considered in the District financial**

<sup>6</sup> Chapter 8, Section 4.2, Red Book.

<sup>7</sup> Section 218.39, Florida Statutes.

**statements audit. In addition, the District should enhance procedures to ensure that the audits are timely completed and considered in the preparation of accurate financial statements and available for consideration during the District financial statements audit.**

### **Finding 3: Information Technology User Access Privileges – Sensitive Personal Student Information**

The Legislature has recognized in State law<sup>8</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining the confidential status of such information. Effective controls restrict individuals from accessing information unnecessary for their assigned duties and provide for documented, periodic evaluations of information technology (IT) user access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their duties. Board policies<sup>9</sup> allow school officials to access student records in which they have legitimate educational interests.

While the District does not require SSNs from students, the District's student registration form includes an optional field for the student SSN and, if provided, the SSNs are maintained within the District Student Information System (SIS). If not provided on the registration form, District personnel indicated that student SSNs are usually provided and entered into the District SIS when the student applies for College. IT user access privileges in the District SIS are controlled by security profiles and a form must be completed and approved by authorized personnel before access is granted. According to District personnel, an employee's assigned security profile establishes whether the employee has access to masked or unmasked student SSNs and is controlled at the school level.

As of April 2021, 1,367 District employees such as principals, assistant principals, and guidance counselors had access privileges to the District SIS containing student SSNs and, as of June 2021, the District SIS contained SSNs for 1,124,116 former and 23,841 current students. District personnel indicated that the District SIS uses a mechanism to mask student SSNs; however, although we requested, District records were not provided to identify which employees had unmasked access to student SSNs. In addition, the SIS did not include a mechanism to differentiate the access privileges to former and current student SSNs. Also, periodic evaluations of employee access privileges had not been performed as of April 2021.

Absent documented identification and evaluation of the individuals who have access to sensitive personal information of students, there is an increased risk of unauthorized disclosure of that information and the possibility that such information may be used to commit a fraud against District students or others. A similar finding was noted in our report No. 2019-210.

**Recommendation: The District should ensure that sensitive personal information of students is properly safeguarded. Specifically, the District should identify the individuals who have access privileges to unmasked student SSNs and perform documented, periodic evaluations of user access privileges to ensure that the privileges are granted only to those users whose job duties require such access.**

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<sup>8</sup> Section 119.071(5)(a), Florida Statutes.

<sup>9</sup> Board Policy 5100.1, *Student Records: Confidentiality and Family Educational Rights*.



**Lori Alhadeff, School Board Member District 4**

600 SE Third Avenue • Fort Lauderdale, FL 33301  
Office: 754-321-2004 • FAX: 754-321-2700  
Email: [lorialhadeff@browardschools.com](mailto:lorialhadeff@browardschools.com)

**The School Board of  
Broward County, Florida**

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Earlean C. Smiley, Ed.D.  
Interim Superintendent

**SENT VIA ELECTRONIC MAIL to [jlac@leg.state.fl.us](mailto:jlac@leg.state.fl.us)**

April 19, 2023

The Honorable Senator Jason Pizzo, Chair  
Joint Legislative Audit Committee  
111 West Madison Street, Room 876  
Tallahassee, FL 32399-1400

**Re: Joint Legislative Auditing Committee Response – Repeat Audit Findings – Follow Up**

Dear Chair Pizzo,

As a follow up to our response dated March 30, 2023 regarding the Joint Legislative Audit Committee's letter dated February 10, 2023 regarding Repeat Audit Findings noted in the Florida Auditor General Report 2022-149, please find the attached update to our policy 3410 – Internal Funds (formerly 3411 – Internal Accounts).

The updated policy 3410 was not included in our March 30, 2023 response because it was not yet approved by the School Board at the required due date for the response. The updated policy was later approved on April 11, 2023, and it now includes the requested language that addresses the School Board's required completion dates for the audits of internal accounts. This is the same policy language that was discussed by the District's Chief Auditor, Joris Jabouin, with the Auditor General auditors during their audit fieldwork and also during a teleconference with the Auditor General auditors on February 17, 2023.

Although we believe that this is the last and only remaining action for closure on the findings noted in Florida Auditor General Report 2022-149, please let me know if you require additional information or would like to meet by telephone or virtually at your convenience with me and/or our Chief Auditor regarding this issue or any other areas that you desire.

Sincerely,

Lori Alhadeff, Chair

LA/JJ:mm

Attachment

- c: Representative Michael Caruso, Vice Chair  
Mark Eggers, Assistant Deputy Commissioner, School Business Services, DOE  
Edward A. Waller, Audit Manager, State of Florida Auditor General  
School Board Members  
Earlean C. Smiley, Ed.D., Interim Superintendent of Schools  
Joris Jabouin, Chief Auditor  
Marylin Batista, General Counsel  
Judith Marte, Deputy Superintendent, Operations  
Valerie S. Wanza, Ph.D., Chief of Staff  
Erum Motiwala, Chief Financial Officer



## POLICY NO. 3410

### **INTERNAL FUNDS**

ALL MONIES COLLECTED OR DISBURSED BY SCHOOL PERSONNEL OR BY STUDENTS WITHIN A SCHOOL, IN CONNECTION WITH THE SCHOOL PROGRAM, FOR THE BENEFIT OF THAT SCHOOL, A CLASS, CLUB, DEPARTMENT, EMPLOYEE, OR STUDENT, SHALL BE RECORDED IN THE SCHOOL'S INTERNAL FUNDS. ALL FUNDS GENERATED FROM A PROFIT-MAKING BUSINESS OPERATING ON A CONTINUOUS BASIS ON SCHOOL GROUNDS, MUST BE DEPOSITED IN THE SCHOOL'S INTERNAL FUNDS ACCOUNT. ALL OF THE AFOREMENTIONED FUNDS SHALL BE ADMINISTERED AND ACCOUNTED FOR IN ACCORDANCE WITH EXISTING LAWS, FLORIDA STATE BOARD OF EDUCATION ADMINISTRATIVE RULES AND BOARD POLICIES.

INTERNAL FUNDS SHALL NOT BE USED (1) FOR ANY PURPOSE WHICH REPRESENTS AN ACCOMMODATION, LOAN, OR CREDIT TO EMPLOYEES OF THE BOARD, OR OTHER PERSONS, INCLUDING PUPILS; (2) TO CASH PERSONAL CHECK; OR (3) TO PAY SUBSTITUTE TEACHERS. EXPENDITURES FOR CERTAIN PROMOTIONAL, PUBLIC RELATIONS, AND HOSPITALITY ACTIVITIES ARE ALLOWABLE AS AUTHORIZED BY SCHOOL BOARD POLICY AND RULES 3413 - PROMOTION AND PUBLIC RELATIONS FUNDING.

- I. Monies collected and expended within a school by pupils and school personnel shall be used for financing the normal program of student activities, to provide necessary and proper services and materials, and for other purposes consistent with the school program as established and approved by The School Board of Broward County, Florida (hereafter "School Board").
- II. Where instructional and noninstructional employees of the School Board serve in a noncontracted position in their regular place of employment, other than as an independent contractor in student co-curricular activities, and the funding for such services is from the school's internal funds accounts, these payments shall be made by the School Board payroll warrants. The schools shall reimburse the School Board for said payments from their internal funds accounts. An activity shall be deemed co-curricular when the service performed is for the benefit of the students.
  - A. Individuals paid directly from internal funds accounts must fall under the definition of independent contractor as defined in Internal Revenue Service Publication 15-A (2023) which states: The general rule is that an individual is an independent contractor if "the person for whom the services are performed, have the right to

control or direct only the result of the work and not the means and methods of accomplishing the result."

- B. Where students' services are utilized by the School Board under an emergency situation on a one-time basis, such students can be paid for their services directly from internal funds accounts. However, if the student's services are to be utilized on a recurring basis in some form of ongoing employment, he/she must be paid by School Board payroll warrants.
  - C. The Superintendent shall be responsible for annually recommending standard district-wide payroll rates for the above tasks for School Board approval.
- III. No teacher will collect money for instructional materials, newspapers, magazines, etc., without receiving prior written approval from their principal to make such collection.
  - IV. Two signatures shall be required on all checks for withdrawal of funds from internal funds bank accounts. The principal of each school shall designate one or more persons who shall be authorized to countersign withdrawal checks; whenever possible, the countersignature should be that of the financial agent of the school. Schools that utilize the Business Support Center (BSC) will have checks signed by the BSC Director and countersigned by a designee in lieu of school-based staff.
  - V. In the event of loss of equipment or of funds in charge of school personnel, a written report must be made immediately to the Police Department or Sheriff's Office and to the Superintendent fully describing the nature and extent of the loss. If a loss involves cash or inventories of school store, food or supplies, the report should itemize the materials and their respective values.
  - VI. The destruction of an inventoriable asset shall be witnessed and signed by an administrator and a member from the Property and Inventory Control staff of The Office of the Chief Auditor.
  - VII. Purchases of furniture, equipment, and other durable goods from internal funds shall become the property of the School Board, be assigned to a school and be recorded as a fixed asset of the School Board.
  - VIII. The Office of the Chief Auditor will make annual audits of schools' internal funds in accordance with Florida Statutes and Florida State Board of Education Administrative Rules. The Office of the Chief Auditor will strive to complete the annual audits of schools' internal funds by June 30 of the following fiscal year.
    - A. The Office of the Chief Auditor will meet with the external auditor to determine the required internal funds audited balance that is sufficient for their external audit.



- B. The Office of the Chief Auditor will ensure that the internal funds audit of the school with the largest year-end balance has commenced by September 1 of the following fiscal year.
  - C. The Office of the Chief Auditor will conduct audits of school internal funds to meet the sufficient balance, as determined by the external auditor as described in subsection VIII. A. above, by March 31 of the following fiscal year.
  - D. The sufficient balance of school internal funds to be audited shall be at least fifty percent (50%) of the total year-end balance of school internal funds.
  - E. The Office of the Chief Auditor will attempt to complete audits of schools comprising ninety percent (90%) of the total year-end balance of school internal funds by June 30 of the following fiscal year. Any remaining school audits should be completed within the first quarter of the second year.
- IX. Where a change in principal occurs by reason of a predecessor principal's resignation, transfer, or termination, an audit of the school's internal funds will be conducted as expeditiously as possible. The Regional and Area Superintendents will notify the Office of the Chief Auditor when changes of principals occur.
- X. In addition to giving their opinion of the principal's "Statement of Changes in Fund Balances," the examination shall provide assurance of financial compliance with Florida Statutes, Florida State Board of Education Rules and School Board Policy. The school principal shall respond on a timely basis to the School Board and Superintendent to all exceptions made in the auditor's report, noting, if required, any corrective action taken. Such response, if available, should be included with the auditor's report at the time it is presented to the School Board and Superintendent in open session. The Office of the Chief Auditor will follow up with the school to determine if the corrective action taken satisfied any exceptions reported.
- XI. Schools are authorized to transfer funds from the General Account to the Student Field Trip Account, for the payment of field trip expenditures, in an amount not to exceed \$1,000 per school year. However, the \$1,000 annual maximum expenditure shall not apply to field trips that fall within the following categories:
- A. Internal funds may be used for field trips when they are part of planned educational enrichment programs, such as Performing Arts Center programs, which will, over time, benefit all students in the schools.
  - B. In addition, field trips may be funded through internal funds for activities which are voted upon by the Student Council of the school.

Policy Custodian: Business Support Center

Former Policy Number: 3411

Policy Status: Active

Authority: F.S. § 1001.41

History: Adopted: 9/5/74



Amended: 4/23/81  
Amended: 5/21/81  
Amended: 1/7/82  
Amended: 2/18/82  
Amended: 1/20/83  
Amended: 6/2/83  
Amended: 10/20/83  
Amended: 7/14/87  
Amended: 4/11/23