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# The School District of Osceola County Half-Cent Sales Surtax Internal Audit Report

September 2, 2020



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## TRANSMITTAL LETTER

September 2, 2020

The Audit Advisory Committee of the  
School District of Osceola County, Florida  
817 Bill Beck Boulevard  
Kissimmee, Florida 34744-4492

Pursuant to the School District of Osceola County, Florida ("District") approved audit plan for fiscal year ("FY") 2019-20, we hereby present our internal audit of the Half-Cent Sales Surtax Program ("Surtax Program"). We will be presenting this report at the next scheduled Audit Advisory Committee meeting on September 10, 2020. Our report is organized in the following sections:

<b>Executive Summary</b>	This section provides a high level summary of the background of the Surtax Program, our Objectives and Approach of our internal audit, and the results of our testing.
<b>Overview</b>	This section provides an overview of the Surtax Program function.
<b>Objectives and Approach</b>	This section reviews the various phases of our approach.
<b>Results</b>	This section details the results of our audit procedures.
<b>Observations and Recommendations</b>	This section includes a description of the observations and recommendations noted during our internal audit, as well as Management's response including responsible party, and estimated completion date.
<b>Appendix</b>	This section includes results of the Business Advisory Board survey.

We would like to thank the staff and all those involved in assisting the Internal Auditors in connection with the internal audit of the Surtax Program.

Respectfully Submitted,

*RSM US LLP*

**INTERNAL AUDITORS**



## EXECUTIVE SUMMARY

### Background

On November 8, 2016 the citizens of Osceola County approved by referendum the imposition of a one-half cent discretionary sales surtax to address critical school infrastructure needs. The surtax is effective for a period of twenty (20) years beginning on January 1, 2017, continuing through December 31, 2036, and was originally estimated to generate \$25 million annually to complete critical renewal projects, security enhancements, and technology infrastructure.

Actual collections have been consistently higher than the original estimate for fiscal years 2017-2019. However, for fiscal year 2020, actual collections were \$29,591,338, 10% less than the original budgeted amount.

The District has 25 elementary schools, 9 middle schools, 10 high schools, 6 multi-level schools, and 2 alternative schools. Prior to passage of the surtax, the District had experienced drastic funding reductions in recent years related to capital expenditures and fixed capital costs associated with the construction, renovation and renewal of school facilities. Without adequate capital revenue, only the highest priority capital needs, typically failures, were addressed before the Half-Cent Sales Surtax was passed by the citizens of Osceola County.

The Business Advisory Board (“BAB”) provides general oversight to the use of funds collected for school facilities. The BAB members were appointed by the District and the Board of County Commissioners. These members are volunteer Osceola County residents not affiliated with Osceola School District Members were selected based on their relevant expertise and reputations within Osceola County and they consist of a multitude of different backgrounds which include business, construction, design, education, financial, legal, and technology.

As of our scope period ending February 2020, actual collections since program inception totaled \$94,974,908, in addition to the \$86,250,000 bond proceeds. The expenditures were \$107,751,311 as of February 2020 since program inception. No exceptions were noted during our testing of pre-election commitments, revenues, and expenditures; however, we noted observations related to the BAB by-laws and the periodic assessment of the comprehensive renovations listing.

### Objective, Approach and Results

The primary purpose of the audit of the Half-Cent Sales Surtax function is to test the appropriateness, existence and mathematical accuracy of the financial reporting from District Management to the Business Advisory Board (“BAB”), the District, and the general public.

We validated the collections and expenditures related to the District’s Surtax Program, tested compliance with the Referendum and Florida Statutes, policies and requirements, and the accuracy of the financial reporting from District Management to the Business Advisory Board (“BAB”), the School District of Osceola County (“Board”), and the general public.

The scope period for this report was January 1, 2017 to February 29, 2020. We performed select inquiry, review, and testing procedures as they relate to the following processes:

- Regulatory Requirements
- Surtax Revenues
- Surtax Expenditures

Fieldwork was performed from May through July 2020, and a draft report was reviewed with management and senior leadership in August 2020. At the conclusion of our audit, we summarized our findings into a written report.

We have assigned ratings of ✓, X, or N/A to each area within our detailed testing scope.

### Summary of Results

*(See Objectives, Approach and Results section for expanded results)*

Scope Period of January 1, 2017 – February 29, 2020

Regulatory Requirements	Revenues	Expenditures
Overall: Business Advisory Board By-laws		<b>Moderate</b>

***We would like to thank all District team members who assisted us throughout this review.***



## EXECUTIVE SUMMARY – CONTINUED

### Risk Rating Definitions

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk’.

Risk Rating Definitions	
Rating	Explanation
<b>High</b>	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.
<b>Moderate</b>	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
<b>Low</b>	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.

### Observations Summary

Following is a summary of the observations noted in the areas reviewed. The detailed observation is included in the observations and recommendations section of the report.

Observations Summary	
Observation	Rating
<b>BUSINESS ADVISORY BOARD BY-LAWS</b>	<b>Moderate</b>



## OVERVIEW




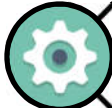
### Referendum

On November 8, 2016 the citizens of Osceola County approved by referendum the imposition of a one-half cent discretionary sales surtax to address critical school infrastructure needs. The surtax is effective for a period of twenty (20) years beginning on January 1, 2017, continuing through December 31, 2036, and was estimated to generate \$25 million annually to complete critical renewal projects, security enhancements, and technology infrastructure.

The School District of Osceola County, and all school districts in Florida, have faced a drastic decline of funding related to capital expenditures and fixed capital costs associated with the construction, renovation, and renewal of District sites, as well as school security access control and funding for technology needs, including infrastructure, refreshment, acquisition, and implementation of hardware and software. The District has 25 elementary schools, 9 middle schools, 10 high schools, 6 multi-level schools, and 2 alternative schools. Without adequate capital revenue, only the highest priority capital needs, typically failures, were addressed before the Half-Cent Sales Surtax was passed by the citizens of Osceola County.

### Use of Sales Surtax Proceeds

Pursuant to the Final Resolution of the Referendum, capital improvements to be funded by proceeds of the Sales Surtax shall be for the following:

-  Fixed Capital Expenditures of Fixed Capital Costs associated with the reconstruction or improvement of school facilities and campuses which have a useful life expectancy of five or more years, including land improvement, design, and engineering costs related thereto
-  Land acquisition
-  Funding for retrofitting of technology needs, including hardware and software, for various sites within the School District
-  Other capital facility uses as allowed by law

In accordance with Section 212.055(6) Florida Statutes, the 2016 referendum cited that capital improvements funded by proceeds of Sales Surtax shall be for the following: “detailed assessment of the facility condition and providing for a safe and appropriate learning environment. Prioritization of the projects will be determined by application of objective criteria, including facility condition assessment, system critical ranking in terms and order of system needs and critical priority assessment based upon accepted objective criteria.”



## OVERVIEW – CONTINUED

### Facility Needs Assessment & Comprehensive Renovations

The District began planning for the 2016 Half-Cent Sales Surtax referendum by creating a comprehensive Facilities Condition Assessment. Each school throughout the District was assessed by individual category (i.e. Geotech, Engineering, and Surveying) using a District foreman and third-party specialist. Systems were rated on a priority ranking code scale of 1-3, with a Priority 1 indicating an extremely worn and damaged status with daily and/or weekly issues. Priority 2 projects were identified as systems/items degrading in nature, with a goal to repair or replace prior to failure. Priority 3 were components that may require maintenance or replacement, but were not a comprehensive renovation. The facilities needs assessment is reviewed annually by the Maintenance Department for non-comprehensive renovation projects.

A priority list was also developed for large comprehensive renovations based on a ranking of schools and projects with the greatest need. The comprehensive renovations prioritized by school is listed below.

Prioritized Capital Projects Plan	
1 Michigan Avenue Elementary School	16 Cypress Elementary School
2 Denn John Middle School	17 Poinciana High School
3 St. Cloud Middle School	18 Horizon Middle School
4 Gateway High School	19 Kissimmee Middle School
5 Osceola County School for the Arts	20 Celebration K-8 School
6 Reedy Creek Elementary School	21 Narcoossee Middle School
7 Boggy Creek Elementary School	22 Discovery Intermediate School
8 Hickory Tree Elementary School	23 Kissimmee Elementary School
9 Mill Creek Elementary School	24 Central Avenue Elementary School
10 Lakeview Elementary School	25 Poinciana Academy of Fine Arts
11 Pleasant Hill Elementary School	26 Celebration High School
12 Ventura Elementary School	27 Partin Settlement Elementary School
13 Parkway Middle School	28 Harmony High School
14 Neptune Middle School	29 TECO
15 Deerwood Elementary School	30 Sunrise Elementary School

### Business Advisory Board

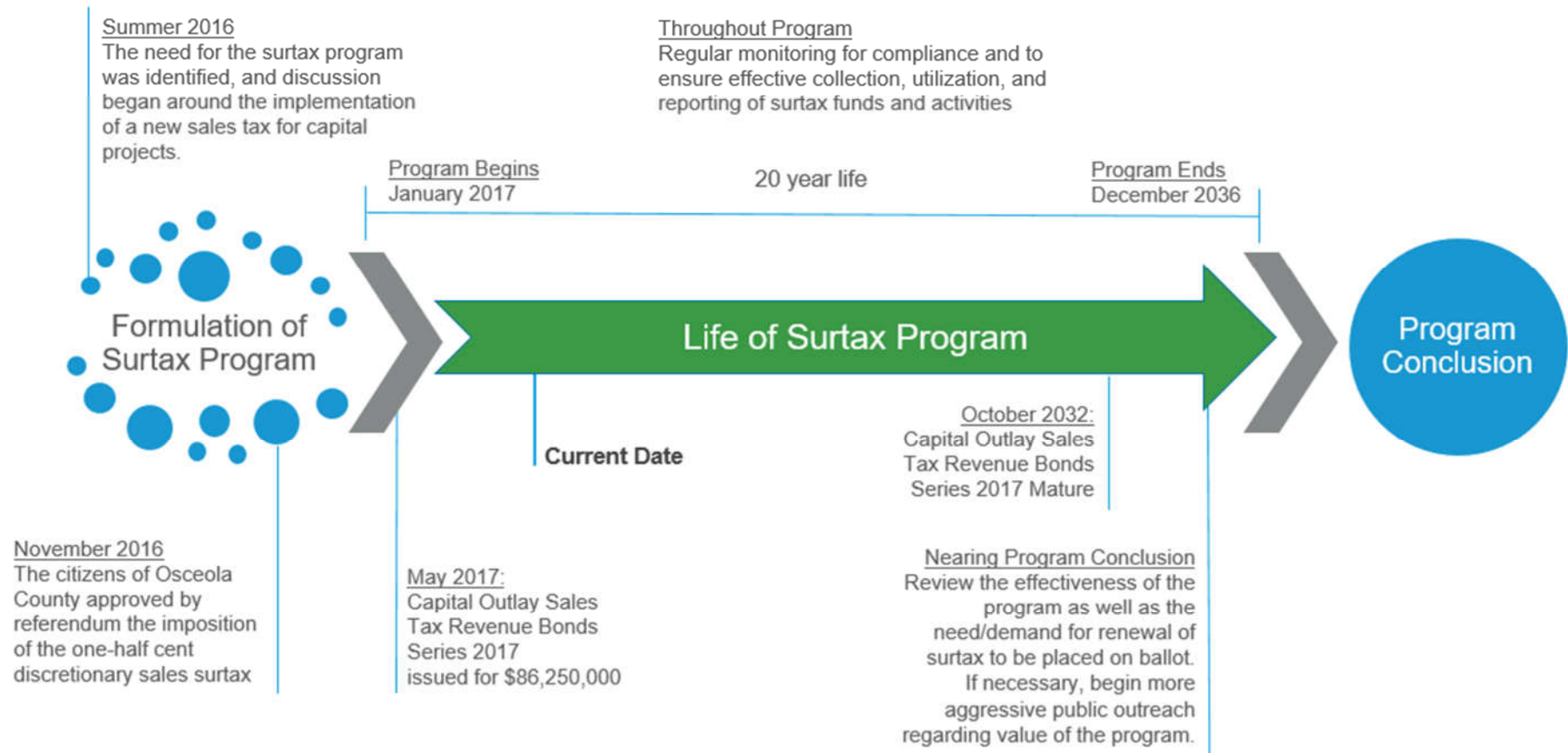
The Business Advisory Board (“BAB”) meets monthly to provide general oversight to the use of funds collected for school facilities. The BAB reviews reports and provides recommendations regarding school impact fees and capital outlay sales surtax. The BAB members were appointed by the District and the Board of County Commissioners. These members are volunteer Osceola County residents not affiliated with Osceola School District. . Members were selected based on their relevant expertise and reputations within Osceola County and they consist of a multitude of different backgrounds which include business, construction, design, education, financial, legal, and technology. The members serve two year terms.



## OVERVIEW – CONTINUED

### Surtax Program– Timeline

Illustrated below is a timeline for the Surtax Program.



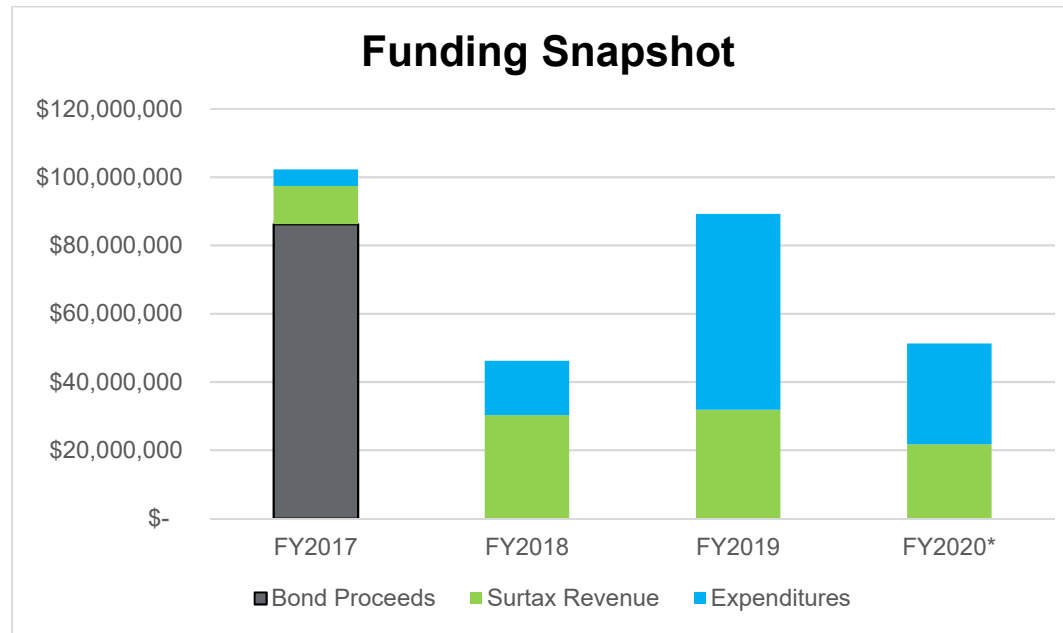




## OVERVIEW – CONTINUED

### Funding Snapshot

Revenue generated by the Surtax program since inception totaled \$94,974,908 through February 29, 2020, in addition to the \$86,250,000 bond proceeds. Expenditures since inception total \$107,751,311 through February 29, 2020. The Surtax Program is on a pay-as-you-go basis. The finance department verifies that expenditures do not outpace total available and collected funds. In addition, Finance monitors fund balances by performing budget to actual checks. The bond proceeds, surtax revenue, and expenditure trends for the Surtax Program, as of February 29, 2020, are illustrated below.



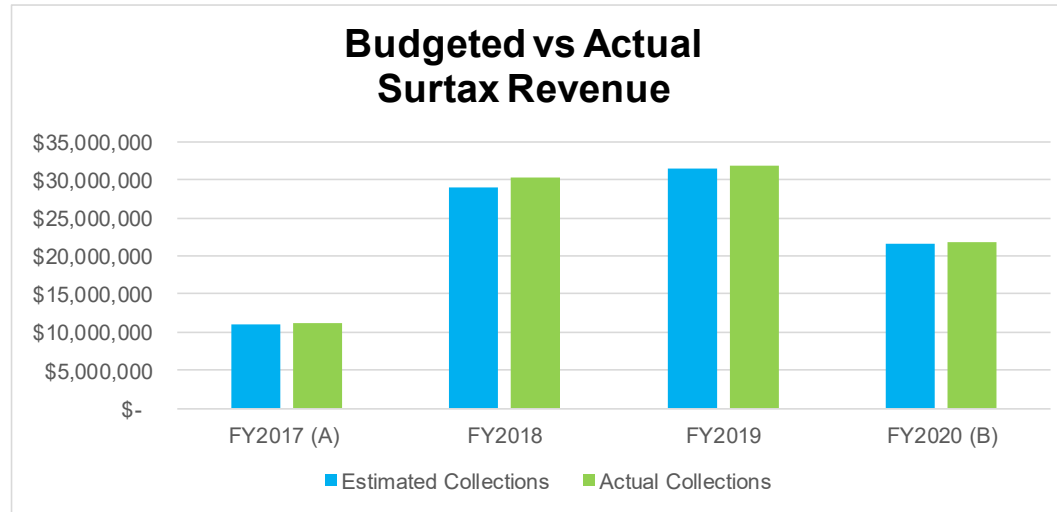
Fiscal Year	Bond Proceeds	Surtax Revenue	Expenditures	Cumulative Funds	Cumulative Expenditures
FY2017	\$ 86,250,000	\$ 11,150,531	\$ 4,850,434	\$ 97,400,531	\$ 4,850,434
FY2018	\$ -	\$ 30,222,267	\$ 15,972,690	\$ 127,622,798	\$ 20,823,124
FY2019	\$ -	\$ 31,876,654	\$ 57,370,940	\$ 159,499,452	\$ 78,194,064
FY2020*	\$ -	\$ 21,725,456	\$ 29,557,247	\$ 181,224,908	\$ 107,751,311
<b>Total</b>	<b>\$ 86,250,000</b>	<b>\$ 94,974,908</b>	<b>\$ 107,751,311</b>		



## OVERVIEW – CONTINUED

### Surtax Collections

From inception through February 2020, actual collections were consistently higher than original estimates. Actualized Surtax collections between January 2017 and February 2020 totaled approximately \$95 million. The estimated collection budget through February 2020 totaled \$93 million. The allocation trend of estimated and actualized collections over the review period are illustrated below. The revenues listed below only reflect surtax collections and do not include the bond proceeds.



Fiscal Year	Estimated Collections	Actual Collections
FY2017 (A)	\$ 11,068,438	\$ 11,150,531
FY2018	\$ 28,988,692	\$ 30,222,267
FY2019	\$ 31,509,016	\$ 31,876,654
FY2020 (B)	\$ 21,657,735	\$ 21,725,456
<b>Total</b>	<b>\$ 93,223,881</b>	<b>\$ 94,974,908</b>

(A) FY 2016-17 figures represent January 2017 through June 2017.

(B) FY 2019-20 figures represent July 2019 through February 2020.

The graphic above represents surtax revenue through our scope period of February 2020, prior to the impacts of COVID-19. For the period after our scope, Finance provided data showing total collections of \$29,591,338 for the full fiscal year 2020, which is approximately 10% lower than the expected \$32,891,348.



## OVERVIEW – CONTINUED

### Surtax Collections - Continued

As of August 2020, Finance uses Florida’s Office of Economic & Demographic Research to forecast sales tax collections. The County forecasted numbers are based on the most recent annual population estimates and the official measures affecting revenue adopted by the Revenue Estimating Conference at the conclusion of each Legislative session. The Office of Economic & Demographic Research advises local governments to be conservative in their upcoming FY2021 budget due to the uncertainty surrounding the global pandemic.

### District Bond

On May 11, 2017, the District issued the Capital Outlay Sales Tax Revenue Bonds, Series 2017 bonds in the amount of \$86,250,000, maturing on October 1, 2032. The proceeds of the bonds were designated for fixed capital expenditures or fixed capital costs associated with construction, reconstruction, or improvement of school facilities and campuses, land acquisition and improvement, design and engineering costs, retrofitting of technology needs, including hardware and software, within the District. The sales surtax revenue is used to pay the debt service on the revenue bonds.

The illustration below shows how the District determined the bond amount of \$86,250,000. The “Other Projects” category consists of deferred maintenance projects identified in the facilities condition assessment.

	FY2017*	FY2018	FY2019	FY2020**	Total
<b>Michigan Ave Elementary School</b>	\$ 450,000	\$ 9,011,111	\$ 12,038,889	\$ -	\$ 21,500,000
<b>Denn John Middle School</b>	\$ -	\$ 5,000,000	\$ 18,000,000	\$ 7,500,000	\$ 30,500,000
<b>St. Cloud Middle School</b>	\$ -	\$ -	\$ 4,790,000	\$ 4,980,000	\$ 9,770,000
<b>Other Projects</b>	\$ 5,500,000	\$ 8,000,000	\$ 8,000,000	\$ 2,980,000	\$ 24,480,000
<b>Total</b>	<b>\$ 5,950,000</b>	<b>\$ 22,011,111</b>	<b>\$ 42,828,889</b>	<b>\$ 15,460,000</b>	<b>\$ 86,250,000</b>

\* FY17 Period May 2017 - June 2017

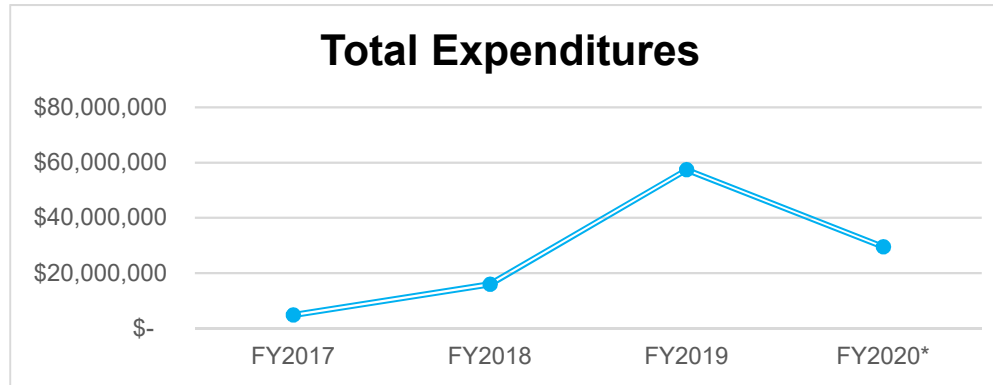
\*\* FY20 Period July 2019 - November 2019



## OVERVIEW – CONTINUED

### Surtax Expenditures

Total Half-Cent expenditures between January 1, 2017 and February 29, 2020, totaled \$107.8 million. The primary purpose of Half-Cent expenditures over the review period were for comprehensive renovations, representing 65.4% of total Half-Cent expenditures. In fiscal year 2019, total Half-Cent expenditures increased by \$41.4 million, which can be primarily attributed to comprehensive renovations to both Denn John Middle School and Michigan Avenue Elementary School. The Half-Cent expenditures over the review period are illustrated below.



The summary illustrated below outlines the allocation of School Capital Outlay Surtax expenditures over the review period.

Type of Expenditure	FY2017	FY2018	FY2019	FY2020*
Debt Service	\$ 136,948	\$ 2,117,995	\$ 7,037,194	\$ 5,977,264
Comprehensive Renovations	\$ 158,842	\$ 7,461,372	\$ 44,815,669	\$ 18,006,943
Carpet Replacements/Flooring	\$ 1,543,715	\$ 936,498	\$ 350,979	\$ 661,241
Chiller Replacements	\$ 642,229	\$ 1,016,239	\$ 646,236	\$ 2,488,687
Fencing	\$ 27,443	\$ 82,050	\$ 338,693	\$ 106,958
Fire Alarms	\$ 38,313	\$ 23,776	\$ -	\$ -
HVAC Repairs/Replacements	\$ 46,792	\$ 571,994	\$ 592,384	\$ 338,786
Painting and/or other repairs	\$ 787,922	\$ 1,322,376	\$ 772,153	\$ 636,995
Parking Lot Resurface/Bus Loop/Concrete/Drainage	\$ -	\$ 180,734	\$ 26,303	\$ 59,214
Renovations	\$ 5,194	\$ 23,461	\$ -	\$ -
Roofing/Gutters/Covered Walkways	\$ 40,991	\$ 1,074,533	\$ 539,403	\$ 411,399
Safety & Security Equipment	\$ -	\$ 193,808	\$ 701,003	\$ 27,996
Security Modifications & Improvements	\$ -	\$ 129,378	\$ 28,153	\$ 58,578
Technology Infrastructure	\$ 1,422,045	\$ 838,476	\$ 1,522,770	\$ 783,186
<b>Total Expenditures</b>	<b>\$ 4,850,434</b>	<b>\$ 15,972,690</b>	<b>\$ 57,370,940</b>	<b>\$ 29,557,247</b>

\* FY20 Period July 2019 - February 2020



## OVERVIEW – CONTINUED

### Surtax Expenditures

As previously mentioned in the referendum and pursuant to Section 212.055(6) Florida Statutes, capital improvements to be funded by proceeds of the Sales Surtax shall be categorized by fixed capital expenditures of fixed capital costs associated with the reconstruction, or improvement of school facilities, land acquisition, technology, and other capital facility uses as allowed by law. The summary illustrated below outlines the allocation of School Capital Outlay Surtax expenditures per the Final Resolution of the Referendum. The “other capital facility uses allowed by law” include security expenditures and debt service funds.

Type of Expenditure	FY2017	FY2018	FY2019	FY2020*
1. Fixed Capital Expenditures of Fixed Capital Costs associated with the reconstruction or improvement of school facilities and campuses which have a useful life expectancy of five or more years, including land improvement, design, and engineering costs related thereto	\$ 3,291,441	\$ 12,693,033	\$ 48,081,820	\$ 22,710,223
2. Land Aquisition	\$ -	\$ -	\$ -	\$ -
3. Funding for retrofitting of technology needs, including hardware and software, for various sites within the School District	\$ 1,422,045	\$ 838,476	\$ 1,522,770	\$ 783,186
4. Other capital facility uses as allowed by law	\$ 136,948	\$ 2,441,181	\$ 7,766,350	\$ 6,063,838
<b>Total Expenditures</b>	<b>\$ 4,850,434</b>	<b>\$ 15,972,690</b>	<b>\$ 57,370,940</b>	<b>\$ 29,557,247</b>

\* FY20 Period July 2019 - February 2020



## OBJECTIVES AND APPROACH

### Objective

The primary purpose of the audit of the Half-Cent Sales Surtax function is to test the appropriateness, existence and mathematical accuracy of the financial reporting from District Management to the Business Advisory Board ("BAB"), the District, and the general public.

Objectives of this engagement include the following:

- Review documented policies and procedures, organizational charts, and any other key process information available to further our understanding of the function;
- Conduct interviews with key personnel to obtain a detailed understanding of the Finance Department, Facilities Division, and Maintenance for management policies and procedures, operating functions, and key performance indicators related to the Half Cent program;
- Perform testing on a sample of Half Cent collections and related reporting for accuracy;
- Perform testing on a sample of Half Cent expenditures and related reporting to validate compliance with the referendum;
- Identify and test for compliance with regulatory requirements such as State Statutes and any commitments made by the District to the community and documented in the referendum that was voted on and approved in November 2016;
- Review the reporting process and the reports that are delivered to the Business Advisory Board for accuracy;
- Verify that the role of the Business Advisory Board is designed and functioning as an independent monitoring and oversight function, in accordance with community and District expectations;
- Survey the Business Advisory Board members regarding the Surtax Program and improvement opportunities;
- Identify process improvement opportunities and recommend internal control enhancements to improve the overall process.

### Approach

Our audit approach consisted of the following phases:

#### Phase 1 – Understanding and Documentation of the Process

We held a conference call on April 9, 2020 with those members of District senior management who were involved in the execution and have an understanding of the Half-Cent Sales Surtax function to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements. We reviewed the District meeting minutes held during our in scope period in order to obtain a greater understanding of their involvement with the Half-Cent Sales Surtax. We conducted a survey of each of the BAB members in order to obtain a greater understanding of their involvement with the Half-Cent Sales Surtax. We had a meeting with District personnel who are involved with the day to day Half-Cent Sales Surtax process and discussed our audit plan and provided the initial request list.

#### Phase 2 – Testing and Reporting

This audit of the Half Cent Sales Surtax will be issued to the District and Audit Advisory Committee. For the scope period of January 1, 2017 to February 29, 2020, RSM performed select inquiry, review, and testing procedures as they relate to the following processes:

- Regulatory Requirements
- Surtax Revenues
- Surtax Expenditures



## OBJECTIVES AND APPROACH – CONTINUED

### Approach – Continued

We will continue to monitor and assess risk related to the Half-Cent Sales Surtax program, and will continue to discuss our internal audit objectives and scope with District leadership, the Audit Advisory Committee and District as appropriate.

### Overall Testing Results




We concluded our procedures and have summarized the results herein. There were no material exceptions noted in our detailed testing of Regulatory Requirements, Revenue and Expenditures. We summarized our overall observations and recommendations and incorporated Management's response into this report. We discussed results and observations of our internal audit with appropriate members of management on August 25, 2020 and conducted an exit conference with the Superintendent on September 2, 2020. We will present this report to the Audit Advisory Committee at the September 10, 2020 meeting.



## RESULTS

### Regulatory Requirements

Our testing procedures for Regulatory Requirements were based upon the requirements as set forth in Florida Statute as well as Osceola County Resolution 17-020 and its related Exhibits, which called for the November 8, 2016 referendum election to levy the sales surtax. RSM also reviewed the referendum and Board meeting minutes dating back to November 2015 to identify and test compliance with specific commitments made outside the referendum regarding the use of the sales surtax. No specific commitments were noted, outside the information included within the referendum. No exceptions were noted.

Regulatory Requirements	
Criteria	Testing Results
1. Funds planned usage is in accordance with Florida Statutes 212.055(6) and the Final Resolution of the Referendum.	
2. Scope of the Projects is based on a detailed assessment of the facility condition and providing for safe and appropriate learning environment.	
3. Prioritization of the projects will be determined by application of objective criteria, including facility condition assessment, system critical ranking in terms and order of system needs and critical priority assessment based upon objective criteria.	





## RESULTS – CONTINUED

### Revenue Testing

The District reported \$94,974,908 in surtax revenue to the BAB for the fiscal period of January 1, 2017 through February 29, 2020. RSM judgmentally selected ten (10) months of surtax revenue throughout the scope period. Samples were selected from the Surtax Revenue History Chart reported in the February 2020 BAB meeting agenda packet shown below.

School Capital Outlay Surtax Revenue				
Month	FY2017	FY2018	FY2019	FY2020*
July	\$ -	\$ 2,859,082	\$ 3,247,344	\$ 3,306,679
August	\$ -	\$ 2,194,580	\$ 2,362,698	\$ 2,454,871
September	\$ -	\$ 2,154,461	\$ 2,107,519	\$ 2,186,346
October	\$ -	\$ 2,664,318	\$ 2,906,958	\$ 2,945,535
November	\$ -	\$ 2,083,815	\$ 2,183,394	\$ 2,346,396
December	\$ -	\$ 2,206,964	\$ 2,252,301	\$ 2,355,790
January	\$ -	\$ 3,339,209	\$ 3,545,302	\$ 3,683,419
February	\$ 1,951,205	\$ 2,495,202	\$ 2,281,362	\$ 2,446,420
March	\$ 2,014,520	\$ 2,066,220	\$ 2,321,866	
April	\$ 2,912,640	\$ 3,596,735	\$ 3,750,979	
May	\$ 2,222,938	\$ 2,354,643	\$ 2,496,898	
June*	\$ 2,049,228	\$ 2,207,039	\$ 2,420,032	
<b>Total Revenue</b>	<b>\$ 11,150,531</b>	<b>\$ 30,222,268</b>	<b>\$ 31,876,653</b>	<b>\$ 21,725,456</b>

Our procedures included the following:

Half-Cent Sales Surtax Revenue		
Testing Procedure	Test Description	Testing Results
1) Mathematical Accuracy	Recalculate the collections report and related supporting documentation for mathematical accuracy.	
2) Confirm Existence and Occurrence	Trace items on the BAB agenda packet report to the general ledger and to the bank statements.	
3) Confirm Proper Recognition	Confirm the revenues were recognized and reported to the BAB in the proper period.	



## RESULTS – CONTINUED

### Expenditure Testing

The District reported \$107,751,311 in expenditures to the BAB for the period of January 1, 2017 through February 29, 2020.

RSM haphazardly selected a sample of sixteen (16) expenditures as reported in the February 2020 BAB meeting agenda packet. The samples were selected across various project categorizations (i.e. chiller replacement, security, and technology), school, and fiscal year. As expenditures are summarized for purposes of BAB reporting, we obtained the line item detail of expenditures for the selected samples, and further selected individual expense items. For those individual expense items, we vouched to supporting documentation for performance of testing as described below. In total, we reviewed 32 invoices, pay applications, purchase orders, and other forms of supporting documentation.

Our procedures included the following:

Half-Cent Sales Surtax Expenditures		
Testing Procedure	Test Description	Testing Results
1) Mathematical Accuracy	Recalculate the expenditure supporting documentation for mathematical accuracy.	
2) Confirm Existence and Occurrence	Confirm that the expenditure existed and occurred by vouching the expenditure to supporting documentation.	
3) Confirm Proper Recognition	Confirm that the expenditures were recognized and reported to the BAB in the proper period.	
4) Confirm Appropriateness and Allowability	Review the nature of the expenditure and determine if the expenditure is reported appropriately and allowable per the Florida Statutes 212.055(6) and project scope requirements.	



## OBSERVATIONS AND RECOMMENDATIONS

Observation	1. BUSINESS ADVISORY BOARD BY-LAWS
<p><b>Moderate</b></p>	<p>The Business Advisory Board (BAB) is a separate independent entity from the District. In accordance with the referendum, the District reports half-cent sales surtax activity to the BAB. Through our review of the BAB by-laws we noted that responsibilities related to the BAB’s oversight of the half-cent sales surtax are not included therein. The duties and responsibilities of the BAB as established in the by-laws are currently written as follows:</p> <p><i><u>IV. Duties and Responsibilities</u></i></p> <ol style="list-style-type: none"> <li>1. <i>Review and report on the capital outlay budget, particularly as it relates to the expenditures of school impact fee.</i></li> <li>2. <i>Review and report on issues and practices related to the fields of expertise represented on the board, such as site selection, construction, investments, purchasing, as requested by the superintendent or District.</i></li> <li>3. <i>Review and make recommendations regarding the annual review of the school impact fee ordinance and study.</i></li> </ol> <p>Although not enumerated in the by-laws, the BAB is operating as an oversight body of the half-cent sales surtax. Considering the public role assumed by the BAB in providing an independent oversight, governance, and accountability function for the surtax, the by-laws should include a corresponding responsibility. Further, the role of the BAB is a key control within the overall surtax program. When controls are not documented, confusion may occur the purpose of controls and how to effectively perform them. These items increase the risks of an ineffective control environment, and negative public perception.</p>
<p><b>Recommendation</b></p>	<p>We recommend the District request that the BAB to update by-laws to define the BAB’s role as an oversight body of the half-cent sales surtax.</p>
<p><b>Management’s Action Plan</b></p>	<p>Management will provide the BAB with suggested language and recommend that they formally amend their bylaws.</p>
<p><b>Responsible Party</b></p>	<p>Chief Business and Finance Officer</p>
<p><b>Est. Completion Date</b></p>	<p>December 31, 2020</p>




## APPENDIX

### Business Advisory Board Survey

Rating (1-5)	Respondent 1	Respondent 2	Respondent 3	Respondent 4	Respondent 5	Respondent 6
The BAB meets often enough to effectively provide oversight and address concerns in a timely manner	5	5	5	5	NR*	NR*
The BAB functions effectively, and in accordance with the By-Laws	5	5	5	5		
The BAB receives information in a sufficient level of detail to effectively provide oversight	5	5	5	5		
The BAB is empowered to bring unresolved issues to the Board for guidance and/or action	5	4	4	5		
If I have questions, District management is able to provide sufficient clarification in a timely manner	5	5	5	5		
Overall, District and management are good stewards of the sales surtax funds	5	5	5	5		
Short Answer	Respondent 1	Respondent 2	Respondent 3	Respondent 4	Respondent 5	Respondent 6
Are there things the District can do better or differently in use of the sales surtax funds?	The District made a presentation to BAB and to this date they have followed what they promised to do at that presentation.	NR*	They are very transparent and thorough in the process. Well managed.	NR*	NR*	NR*
Any there any comments you would like to make to RSM, the Internal Auditors.	As Chairman of BAB for the past two years and been a member of the BAB for more then 12 years I found that the District staff and superintendent to be most responsive to our questions and suggestions.		NR*	District staff is identifying the capital projects that require attention. They establish a priority order and work thru design, bidding and construction of each project. The District capital assets have improved significantly. The schools that are being replaced due exceeding their economic life cycle have improved the community and the students that attend them. I have served on this advisory board for a number of years and find the District to be well managed and spending the sales surtax funded in a methodical way, for the best outcome possible.		

\*NR = No Response



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