

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2023-024  
September 2022

**OSCEOLA COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

### **Board Members and Superintendent**

During the 2021-22 fiscal year, Dr. Debra P. Pace served as Superintendent of the Osceola County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Teresa "Terry" Castillo, Chair from 11-16-21, Vice Chair through 11-15-21	1
Julius Melendez, Vice Chair from 11-16-21	2
Jon Arguello	3
Clarence Thacker, Chair through 11-15-21	4
Robert Bass	5

The team leader was Gregory J. Lemieux, CPA, and the audit was supervised by Mark A. Arroyo, CPA.

Please address inquiries regarding this report to Edward A. Waller, CPA, Audit Manager, by e-mail at [tedwaller@aud.state.fl.us](mailto:tedwaller@aud.state.fl.us) or by telephone at (850) 412-2887.

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**State of Florida Auditor General**

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# OSCEOLA COUNTY DISTRICT SCHOOL BOARD

## SUMMARY

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This operational audit of the Osceola County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2020-197. Our operational audit disclosed the following:

**Finding 1:** District controls over safe-school officer services could be enhanced.

**Finding 2:** The District did not always provide the required youth mental health awareness and assistance training.

**Finding 3:** District controls over monitoring health and prescription drug self-insurance claims payments need improvement.

## BACKGROUND

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The Osceola County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Osceola County. The governing body of the District is the Osceola County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2021-22 fiscal year, the District operated 57 elementary, middle, high, and specialized schools; sponsored 26 charter schools; and reported 75,158 unweighted full-time equivalent students.

## FINDINGS AND RECOMMENDATIONS

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### Finding 1: Safe-School Officer Services

State law<sup>1</sup> requires the Board and Superintendent to partner with local law enforcement agencies to assign one or more safe-school officers, such as school resource officers (SROs) or school security guards, at each school facility. SROs are to be certified law enforcement officers and, among other things, are required to complete mental health crisis intervention training using a curriculum developed by a national organization with expertise in mental health crisis intervention. School security guards must satisfactorily complete training requirements, including a 144-hour training program, and the Sheriff's Office is required to certify that the school security guards complete the required training.<sup>2</sup> Effective school safety measures include ensuring that safe-school officers receive required training and that a safe-school officer is present at each school facility during school hours.

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<sup>1</sup> Section 1006.12, Florida Statutes.

<sup>2</sup> Section 30.15(1)(k)2., Florida Statutes. The 144-hour training program is to consist of 12 hours of certified nationally recognized diversity training and 132 total hours of comprehensive firearm safety and proficiency training conducted by Criminal Justice Standards and Training Commission-certified instructors.

During the 2021-22 school year, the Board and District charter schools contracted with the Osceola County Sheriff's Office, Kissimmee Police Department, and St. Cloud Police Department, to provide 59 SROs for 50 District schools and 5 SROs for 5 charter schools. In addition, the charter schools contracted with private security agencies to provide 19 school security guards for 19 other charter schools.<sup>3</sup>

As part of our audit procedures, we requested for examination District records supporting the assignment and presence of SROs and school security guards at 11 District schools and 4 charter schools each day school was in session in the months of October 2021 and January 2022. District and charter school records demonstrated that the SROs and school security guards were typically present as required; however, SRO attendance at 1 District high school was not supported. In response to our inquiry, District personnel indicated that, although records could not be located, an SRO was present at the District high school while the school was in session.

In addition, although we requested, District records were not provided to evidence verification that any of the assigned SROs completed the required mental health crisis intervention training or school security guards completed the required 144-hour training program. Our examination of the contract documents disclosed that the contracts did not require the law enforcement agencies to provide evidence of the training to the District and District procedures did not require verification that the training was completed. In response to our inquiry, District personnel indicated that they relied on the law enforcement agencies to ensure that the required training was completed. Subsequent to our inquiry, District personnel obtained documentation from the respective law enforcement agencies confirming that 52 of the 64 SROs had completed the required mental health crisis intervention training.

Absent effective procedures to require and ensure that one or more safe-school officers are present during school hours at each school, SROs complete the required mental health crisis intervention training, and school security guards complete the required training program, the District cannot demonstrate compliance with State law or that appropriate measures have been taken to promote student and staff safety.

**Recommendation: The District should enhance procedures to ensure that District records demonstrate that at least one safe-school officer is present during school hours at each school, each SRO received the required mental health crisis intervention training, and each school security guard completed the required training.**

## **Finding 2: Mental Health Awareness and Assistance Training**

State law<sup>4</sup> requires the District to designate a school safety specialist to, among other things, ensure that District school personnel receive youth mental health awareness and assistance training. Pursuant to State law,<sup>5</sup> the District received a mental health assistance allocation totaling \$3 million for the 2021-22 fiscal year to establish or expand school-based mental health care services and related training.

<sup>3</sup> Safe-school officers were not required at the 7 District specialized schools that conducted classes virtually, were adult schools, or operated by the Department of Juvenile Justice, or 1 charter school that conducted classes virtually. Additionally, one safe-school officer was onsite for 2 charter schools at the same location.

<sup>4</sup> Sections 1006.07(6)(a) and 1012.584, Florida Statutes.

<sup>5</sup> Section 1011.62(14), Florida Statutes.

Our discussions with District personnel and examination of District records disclosed that the District had designated a school safety specialist; however, established procedures were not effective to ensure that the District complied with statutory mental health training requirements. Specifically, we examined District records, as of May 4, 2022, and determined that only 2,955 (50 percent) of the 5,857 District school personnel had completed the mental health training. In response to our inquiry, District personnel indicated that the District had provided training in person, virtually, and used a hybrid model; however, due to the COVID-19 pandemic, it had been a challenge to get everyone trained.

Without the required training, a mental health services need may not be timely identified and appropriately met and, absent documentation evidencing such training for all District school personnel, the District cannot demonstrate compliance with State law.

**Recommendation: The District should enhance procedures to ensure that all District school personnel receive youth mental health awareness and assistance training.**

### **Finding 3: Self-Insurance Claims Payments**

The District provided group health insurance through a self-insurance program and, as permitted by State law,<sup>6</sup> the Board contracted with two service agents for evaluating and paying program claims, including a service agent to administer health claims and another service agent to administer prescription drug claims.

To provide assurances that claims payments were for eligible participants, for accurate amounts, and to appropriate service providers, it is important for the District to require that service agents obtain and provide the District with a Service Organization Controls (SOC) 1 Type 2 report as described in Statements on Standards for Attestation Engagements. However, the Board-approved contracts did not require the service agents to obtain and provide such a report. Subsequent to our inquiry, District personnel indicated that, in May 2022 the Board entered a contract for the health claims with a different service agent, and that contract, effective October 2022, requires the service agent to obtain and provide a SOC 1 Type 2 report annually.

By obtaining a SOC 1 Type 2 report, the District is provided assurance as to the suitability of the design and operating effectiveness of the service agent's claims processing controls and review of the report can help the District identify controls that should be designed, placed in operation, and operating effectively to complement the service agent's controls. In the absence of a SOC 1 Type 2 report providing assurances regarding the effectiveness of claims processing controls, the District should have performed, or contracted for the performance of, a test of the claims payments processed by the service agents to gain similar assurances. District personnel indicated that, absent a SOC 1 Type 2 report from each service agent, they were unaware a claims audit was necessary.

As part of our audit of claims payments during the period July 2021 through April 2022 totaling \$49.5 million, we requested for examination documentation supporting 39 selected claims payments totaling \$1.6 million and determined that the selected payments were authorized and for eligible participants. However, our procedures cannot substitute for management's responsibility to establish

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<sup>6</sup> Section 1011.18(6)(b), Florida Statutes.

and maintain an adequate system of internal control over claims payments processing. Without assurances that controls over claim payments are suitably designed and operating effectively, there is an increased risk of erroneous or fraudulent payments.

**Recommendation:** The District should establish procedures to effectively monitor health and prescription drug self-insurance claim payments. Specifically, the District should continue efforts to ensure that service agents annually obtain and timely submit to the District a SOC 1 Type 2 report on the service agent’s claims processing controls. Once the SOC 1 Type 2 reports are obtained, the District should review the reports and make appropriate decisions regarding continued use of the service agent based on the sufficiency of the service agent’s claim processing controls. Alternatively, District personnel should perform a test of claim payments to evaluate the propriety of the service agent’s claims processing.

## ***PRIOR AUDIT FOLLOW-UP***

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The District had taken corrective actions for findings included in our report No. 2020-197.

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida’s citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2022 through August 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This operational audit focused on selected District processes and administrative activities. For those areas, our audit objectives were 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.
- 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 findings included in our report No. 2020-197.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management’s internal controls significant to our audit objectives; 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 this audit was 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. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; identifying and evaluating internal controls significant to our audit objectives; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records, as well as events and conditions, occurring during the 2021-22 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, Board policies, District procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed Board information technology (IT) policies and District procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to District enterprise resource planning system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employee job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the applications to determine whether these accounts had been appropriately assigned and managed. Specifically, from the population of 1,188 user accounts as of April 2022, we selected for testing 30 user accounts that were allowed view, add, change or delete access privileges to selected critical IT system finance and HR module functions to determine the appropriateness of access privileges granted.

- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers, and restricting access privileges to only that information appropriate and necessary based on the employee's assigned job responsibilities.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.
- Determined whether the District had a comprehensive IT disaster recovery plan in place that was designed properly, operating effectively, and had been recently tested.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated the physical access controls at the District data center to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District data center.
- Inquired whether the District had any expenditures or entered into any contracts under the authority granted by a state of emergency, declared or renewed during the audit period, to evaluate the reasonableness of District actions.
- From the population of expenditures totaling \$27.2 million and transfers totaling \$17.5 million during the period July 2021 through March 2022 from nonvoted capital outlay tax levy proceeds and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$3.6 million and \$8.2 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources, such as compliance with Section 1011.71(2), Florida Statutes.
- From the population of \$6.5 million total workforce education program funds expenditures for the audit period, selected 26 expenditures totaling \$882,270 and examined supporting documentation to determine whether the District used the funds for authorized purposes.
- From the population of 85 industry certifications eligible for the 2020-21 fiscal year performance funding, examined 30 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined District records supporting 2,638 reported contact hours for 30 selected students from the population of 172,564 contact hours reported for 2,110 adult general education instructional students during the Fall 2021 Semester to determine whether the District reported the instructional contact hours in accordance with State Board of Education (SBE) Rule 6A-10.0381, Florida Administrative Code.
- Examined the District Web site to determine whether the 2021-22 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the Web site contained the required graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information for the previous 3 years, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE).
- Evaluated District procedures for identifying and inventorying attractive items pursuant to Department of Financial Services Rule Chapter 69I-73, Florida Administrative Code.
- Examined District records supporting teacher salary increase allocation payments totaling \$10.4 million for the audit period to 3,787 instructional personnel to determine whether the District submitted required reports (salary distribution plan and expenditure report) to the FDOE and used the funds in compliance with Section 1011.62(16), Florida Statutes (2021).

- Evaluated the effectiveness of Board policies and District procedures addressing the ethical conduct of instructional personnel and school administrators, including reporting responsibilities related to employee misconduct which affects the health, safety, or welfare of a student, and also for investigating all reports of alleged misconduct to determine the sufficiency of those policies and procedures to ensure compliance with Section 1001.42(6) and (7)(b)3., Florida Statutes.
- Evaluated District procedures for informing the District's health insurance program third-party administrator (TPA) and pharmacy benefit manager (PBM) of the eligibility of employee and dependent participants and for the propriety of claims payments. To determine the propriety of District claims payments, we examined District records supporting 39 selected claims payments totaling \$1.6 million from the claims payment population from July 2021 through April 2022 totaling \$49.5 million processed by the TPA and PBM and compared the claims tested to the health insurance program requirements.
- From the five significant construction projects with budgeted project costs totaling \$48.1 million, selected one construction management project with guaranteed maximum price contract totaling \$25.9 million to evaluate compliance with Board policies and District procedures and applicable provisions of State law and rules. Specifically, we examined District records to determine whether:
  - The construction manager was properly selected pursuant to Section 255.103, Florida Statutes.
  - District personnel properly monitored subcontractor selection and licensures.
  - The architects were properly selected pursuant to Section 287.055, Florida Statutes, and adequately insured.
  - Appropriate Board policies and District procedures addressing the negotiation and monitoring of general conditions costs had been established.
  - One selected payment totaling \$151,535 was sufficiently supported and complied with the contract provisions.
- Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained from the FDOE the 2021 cost of construction reports of District student station costs. From the population of two construction projects completed during the 2020 calendar year, we examined District records for one selected project to determine whether student station costs were accurately reported and complied with the student station cost limits established by Section 1013.64(6)(b)1., Florida Statutes.
- Examined District records to determine whether the Board had adopted appropriate school safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07 and 1006.12, Florida Statutes, and Section 1011.62(13), Florida Statutes (2021).
- Examined District records to determine whether the Board had adopted appropriate mental health awareness policies and the District had implemented procedures to promote the health, safety, and welfare of students and ensure compliance with Section 1012.584, Florida Statutes, Section 1011.62(14), Florida Statutes (2021), and SBE Rule 6A-1.094124, Florida Administrative Code.
- Reviewed the financial records of the District self-insured health insurance program, including the actuarial report of the program pursuant to Section 112.08(2)(b), Florida Statutes, for the audit period to determine whether the program was fiscally sound.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.

- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each school district on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial "S".

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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## THE SCHOOL DISTRICT OF OSCEOLA COUNTY, FLORIDA

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### SCHOOL BOARD MEMBERS

District 1 – Teresa “Terry” Castillo - Chair  
407-577-5022  
District 2 – Julius Melendez – Vice Chair  
321-442-2862  
District 3 – Jon Arguello  
407-433-9082  
District 4 – Clarence Thacker  
407-870-4009  
District 5 – Robert Bass  
407-870-4009



Superintendent of Schools  
Dr. Debra P. Pace

September 20, 2022

Sherrill F. Norman, CPA  
Auditor General  
Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Ms. Norman:

We appreciate the thorough review of the District's operations performed by the Auditor General's staff and the guidance they provided to us throughout the audit process. Following are management's responses to the findings and recommendations relative to our operational audit for the fiscal year ended June 30, 2022.

### **Finding No. 1: Safe-School Officer Services**

District controls over safe-school officer services could be enhanced.

#### **Recommendation:**

The District should enhance procedures to ensure that District records demonstrate that at least one safe-school officer is present during school hours at each school, each SRO received the required mental health crisis intervention training, and each school security guard completed the required training.

#### **Response:**

The district has implemented procedures for the schools to submit their safe school officer sign in sheets to the district safe schools officer on a monthly basis to ensure compliance with the required documentation of their presence on campus each day. In addition, the district will work to ensure documented compliance of all required training for these individuals.

### **Finding No. 2: Mental Health Awareness and Assistance Training**

The District did not always provide the required youth mental health awareness and assistance training.

#### **Recommendation:**

The District should enhance procedures to ensure that all District school personnel receive youth mental health awareness and assistance training.

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September 20, 2022

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Response:

On July 1, 2022, the State of Florida passed into law HB 1421, School Safety, which requires that all school districts train at least 80% of their school-based staff in Youth Mental Health First Aid by June 30, 2023, and maintain that number annually.

The School District of Osceola County has recently initiated a multi-faceted approach to providing staff with Youth Mental Health First Aid training. The plan includes significantly increasing the number of certified trainers, scheduling training sessions throughout the year (including on student holidays and weekends), and providing resources (trainers, manuals, and substitute reimbursements/stipends) to enable every school to train their staff throughout the year.

**Finding No. 3: Self-Insurance Claims Payments**

District controls over monitoring health and prescription drug self-insurance claims payments need improvement.

Recommendation:

The District should establish procedures to effectively monitor health and prescription drug self-insurance claim payments. Specifically, the District should continue efforts to ensure that service agents annually obtain and timely submit to the District a SOC 1 Type 2 report on the service agent's claims processing controls. Once the SOC 1 Type 2 reports are obtained, the District should review the reports and make appropriate decisions regarding continued use of the service agent based on the sufficiency of the service agent's claim processing controls. Alternatively, District personnel should perform a test of claim payments to evaluate the propriety of the service agent's claim processing.

Response:

In 2020, the district discontinued using an insurance company to process healthcare claims under an Administrative Services Only (ASO) model, and implemented a new actively managed health services plan by contracting with an independent third party administrator (TPA) to process medical claims, along with a separate transparent pharmacy benefit manager (PBM) contract for the processing of pharmaceutical claims.

Neither the TPA nor PBM had a report on their Services Organization Controls (SOC). For the 2020-21 fiscal year, the district's independent auditors performed additional procedures over healthcare claims to compensate for the absence of a SOC 1 Type 2 report from these two organizations.

During 2022, the school board entered into a contract with a new TPA which now includes a requirement that the TPA have this work performed and provide a SOC report. In addition, our PBM is currently in the process of having this work performed and will submit their SOC 2 Type 2 report upon completion.

We would like to thank your audit staff for their assistance and technical advice during the audit and for bringing to light areas upon which the District can improve.

Sincerely,



Dr. Debra P. Pace  
Superintendent