



SCHOOL BOARD AGENDA ITEM RATIONALE

Date of Board Action: 03/10/2015

DISTRICT DEPARTMENT: Finance and Performance

DISTRICT SUPERVISOR SIGNATURE: _____

or

SCHOOL NAME: _____

SCHOOL PRINCIPAL'S NAME & SIGNATURE: _____

SUBJECT: Acceptance of Auditor General Report No. 2015-105

AGENDA ITEM TITLE: Acceptance of Auditor General Report No. 2015-015

PROVIDE BRIEF BACKGROUND INFORMATION

Auditor General Audit Report No. 2015-105 represents final report of the operational audit of the School District. There were no material weaknesses or significant deficiencies noted in the audit report. The findings and the District's response thereto were covered in a Board workshop on February 10, 2015.

IS ITEM BUDGETED?:(Check One)

Yes _____ No _____ N/A _____ TOTAL COST: \$ _____

REVIEWED BY ADMINISTRATION: YES: _____ **(Signature of Executive Officer Required)**

REVIEWED BY ATTORNEY: Yes: _____ (initial required) or N/A _____

RECOMMENDATION: Acceptance of Auditor General Report No. 2015-105

**MONROE COUNTY
DISTRICT SCHOOL BOARD**

Operational Audit



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2013-14 fiscal year are listed below:

	<u>District No.</u>
Robin Smith-Martin, Vice Chair from 11-19-13	1
Andy Griffiths, Chair to 11-18-13	2
Ed Davidson	3
John R. Dick	4
Ronald A. Martin, Vice Chair to 11-18-13, Chair from 11-19-13	5

Mark T. Porter, Superintendent

The audit team leader was Michael K. Hollinger, and the audit was supervised by Hector J. Quevedo, CPA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MONROE COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

PUBLIC RECORDS

Finding No. 1: District procedures did not always ensure that minutes of its Audit and Finance Committee meetings were appropriately maintained and timely approved, contrary to the Sunshine Law.

CAPITAL OUTLAY FUNDING

Finding No. 2: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in \$224,921 of questioned costs.

PERSONNEL AND PAYROLL

Finding No. 3: The Board had not implemented a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. In addition, policies and procedures providing for employee salary adjustments could be enhanced.

Finding No. 4: Payroll processing procedures could be enhanced to ensure that all employee work time is appropriately documented and approved.

CAPITAL ASSETS

Finding No. 5: Controls over the use of District motor vehicles could be enhanced.

Finding No. 6: Controls over assessment and collection of facility use fees could be enhanced.

PROCUREMENT

Finding No. 7: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

INSURANCE

Finding No. 8: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 9: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing comprehensive, written VIP policies and procedures.

INFORMATION TECHNOLOGY

Finding No. 10: The District's management of access privileges to student confidential information by its employees needed improvement.

BACKGROUND

The Monroe 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 Monroe County. The governing body of the District is the Monroe 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 2013-14 fiscal year, the District operated ten elementary, combination (kindergarten through 8 and 6 through 12), and high schools; sponsored six charter schools; and reported 8,012 unweighted full-time equivalent students.

The results of our audit of the District’s financial statements and Federal awards for the fiscal year ended June 30, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Public Records

Finding No. 1: Audit and Finance Committee Meetings

Section 286.011, Florida Statutes, commonly referred to as the Sunshine Law, requires that minutes of public board meetings be promptly recorded and open for public inspection. Further, the Florida Attorney General’s publication *Government-in-the-Sunshine-Manual 2014 Edition*, provides that advisory boards and fact finding committees whose powers are limited to making recommendations to a public agency, and which possess no authority to bind that agency, are subject to the Sunshine Law.

The Board established an Audit and Finance Committee (Committee) to provide the District with independent oversight on legal and financial matters of the District such as budget preparation. Based on its responsibilities, the Committee is subject to the Sunshine Law. During the 2013-14 fiscal year, the Committee had 12 meetings and promptly recorded minutes for 5 of the meetings, which evidenced various discussions relating to items such as budgeting processes, annual financial report analyses, salary schedules, and other business. However, the Committee did not record and make available to the public minutes for 7 meetings until 49 to 371 days (average of 170 days) after the next regular meeting, as of September 1, 2014. Also, the Committee did not approve minutes for 2 of the meetings until 56 and 77 days after the next regular meeting. District personnel indicated that the delays occurred, in part, because of time needed to make corrections to the minutes. Without timely approval and availability of minutes of Committee meetings, public access and inspection of documents and actions taken at such meetings may be limited.

Recommendation: The District should enhance its procedures to ensure that Committee minutes are timely prepared, approved, and made available to the public.

Capital Outlay Funding

Finding No. 2: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; school bus purchases; certain enterprise resource software (ERS) used to support Districtwide administration or State-mandated reporting requirements; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2013-14 fiscal year, the District had LCI Fund expenditures totaling \$4.6 million, and transfers totaling \$9.1 million to other funds. We tested LCI Fund expenditures totaling \$740,343 and transfers totaling \$2.7 million to determine their propriety. Our test disclosed five non-ERS software purchases for various professional development and educational applications, totaling \$224,921, which were unallowable uses of ad valorem tax levy proceeds and as such, represent questioned costs. Subsequent to our testing in November 2014, the District restored the \$224,921 in questioned costs to the LCI fund.

Recommendation: The District should enhance its controls to ensure that ad valorem tax levy proceeds are expended only for authorized purposes.

Personnel and Payroll

Finding No. 3: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based on District-determined factors including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

The 2013-14 fiscal year salary schedule provided for 25 salary steps within each pay grade. Our test of employee compensation disclosed that employee salaries corresponded to certain pay grades and steps on the salary schedule and that instructional personnel salary levels were supported by supervisor-approved personnel information forms that identify the step level placements of the employees. The 2013-14 fiscal year instructional personnel union contract generally provided that steps on the salary schedule would be based on the number of years of teaching experience and educational level such that a year of experience represented a step on the salary schedule.

District personnel indicated, for noninstructional personnel, that executive directors, department heads, and principals provided input to the Superintendent for step placements on the salary schedule and salary adjustments, and that the Superintendent made salary recommendations to the Board for approval. In November 2013, the Board approved a process improvement plan that provided for inclusion of pay grade, step placement, and annual salaries for new noninstructional employment recommendations. The plan contained various salary requirements, such as limiting initial salary to 60 percent of maximum compensation for any position, restricting annual salary adjustments to three steps on the salary schedule or 5 percent of annual compensation, and obtaining Board approval for other salary adjustments. In addition, the plan identified factors to determine initial salary schedule placement such as qualifications, education, training, experience, and market factors and conditions. However, neither the salary schedule, the plan, nor Board policies and procedures provided guidance on how these factors are to be applied on initial step placement or step adjustments to employee salaries.

Without Board-approved procedures prescribing how the factors will be applied on initial step placement or step adjustments to employee salaries, there is an increased risk that such salaries and salary adjustments may not be consistent with Board intent.

A similar finding was noted in our report No. 2014-151.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Also, the Board should continue its efforts to establish procedures that provide guidance on how employment factors are to be used as the basis for initial placement or adjustments to noninstructional personnel salaries within each pay grade.

Finding No. 4: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. During the 2013-14 fiscal year, the District reported salary costs of \$40.1 million for instructional contracted personnel. The District paid these personnel on a payroll by exception basis in which employees receive their regular pay each period unless they use more leave than accumulated, resulting in a reduction to their salary. Employees were required to prepare and sign leave forms that supervisors reviewed and approved or disapproved. School and department personnel input leave taken into the payroll system for contracted employees. School principals or department supervisors approved biweekly payroll reports, generated by the payroll system, that reflected employee time worked and leave taken. However, the District needed to enhance its procedures for documenting employee time worked, as discussed below.

Based on our review of District records for May and June 2014 payroll activities, District payroll procedures did not provide for a uniform method of documenting actual time worked by contracted employees. Methods used at District schools and departments for documenting time worked by contracted employees included: (1) recording arrival and departure times on timesheets; (2) sign-in and sign-out timesheets without times or total hours worked; and (3) machine date and time stamped employee time cards. The District’s payroll procedures for employees who were paid on an hourly basis provided that time records, such as time cards or weekly timesheets, be used to document time worked.

Our test of one payroll period for 30 employees paid on a full-time basis disclosed the following:

- Time records for 29 employees did not always include arrival and departure times or other evidence to indicate the number of hours worked. For example, for the April 30 through May 13, 2014, pay period, a Horace O’Bryant School daily attendance record (sign-in and sign-out timesheets) indicated that 7 employees in our test did not record attendance for between 5 and 10 days during the pay period and their payroll leave records indicated that no leave was taken for those days. Also, for the May 14 through May 27, 2014, pay period, a Coral Shores High School daily attendance record indicated that 9 employees in our test did not sign out for any of the days in attendance during the 9 workdays included in the pay period.
- The time records for 17 employees were not signed by the employee and for the 30 employees the time records did not include the signature of employee’s supervisor or other evidence of review and approval.

Without payroll records and procedures that provide for a uniform method of documenting actual time worked, including arrival and departure times, and when work attendance is not adequately evidenced and timely verified of record, the risk increases that employees may be incorrectly compensated. Similar findings were noted in our report Nos. 2013-170 and 2014-151.

Recommendation: The District should enhance its payroll processing procedures to ensure that all employee work time is appropriately documented and approved, accurately recorded, and reconciled to payroll leave records.

Capital Assets

Finding No. 5: Motor Vehicles

During the 2013-14 fiscal year, the District maintained 94 motor vehicles, excluding school buses, for use by employees while conducting official business. School Board Administrative Procedure 1440C, *Use of School Vehicle for School Business*, provides that vehicles are to be used only for school business and approved personal use such as commuting. The policy also requires departments to maintain daily vehicle usage logs.

Our review of vehicle usage logs for 11 District vehicles for the months of March through May 2014 disclosed no evidence of supervisory review and approval of the logs for 3 of the vehicles, including a log for one vehicle with no documented

purpose as to the usage. In addition, supervisory review for 2 other vehicle logs for May 2014 travel was performed 102 days after the vehicles were used. Without appropriately maintained and supervisory approved vehicle usage logs, there is an increased risk that District vehicles may be used for unauthorized purposes. Similar findings were noted in our report Nos. 2013-170 and 2014-151.

Recommendation: **The District should enhance its procedures to ensure that vehicle usage logs for District vehicles, other than school buses, are properly maintained and reviewed.**

Finding No. 6: Facility Use Fees

Section 1001.41(4), Florida Statutes, authorizes the Board as contracting agent for the District to enter into facility use agreements. Pursuant to Sections 1001.43(5) and 1013.10, Florida Statutes, the District permitted use of its facilities for meetings and activities of general public interest such as educational, recreational, or political purposes and Board Policy 7510 and Administrative Procedure 7510A require that the District develop and the Board approve a fee schedule for facility use.

The District assessed facility use fees based on several factors including equipment depreciation, use of supplies, and electricity costs. Fees ranged from \$25 for classroom rentals (plus an air-conditioning fee of \$10 per hour) to \$400 for the use of most athletic fields (plus a lighting fee of \$85 per hour). The District also permitted the use of its auditoriums, cafeterias, and gymnasiums for rental fees generally at \$100, \$175, and \$250, respectively, and additional air-conditioning fees for these facilities ranging from \$55 to \$125 per hour.

Organizations using District facilities were required to enter into facility use agreements. Our review of 29 facility use agreements for 20 facilities at six schools disclosed that the agreements included certain provisions protecting the District in the event of damage to its facilities or legal challenges by lessees. For example, agreements generally required comprehensive general liability insurance up to \$3 million and included provisions to hold the District harmless in the event of injury, death, or property damage. However, the facility use agreements and District monitoring of facility use fees could be improved, as follows:

- While District personnel maintained a schedule of facility use fees, District personnel did not provide the schedule or facility use agreements to the Board for approval, contrary to Board policy and Section 1001.41(4), Florida Statutes. Without Board approval of the schedule and agreements, fee charges and agreements may be inconsistent with Board intent.
- While the schedule of facility use fees identified certain facilities, many were excluded. For example, the schedule excluded use fees for nine of the facilities, including an athletic field, a parking lot, a locker room, and bunkroom. As a result, facility use fees were not always reasonably determined or consistently assessed, as follows:
 - No fees were assessed relating to 15 agreements (13 facilities), and District records did not evidence the basis for excluding fee assessments.
 - District personnel assessed fees for 5 agreements (5 facilities) differently than the fees listed on the schedule. For example, a soccer organization entered into an agreement for use of a school athletic field for a \$250 donation to the school's soccer team, although the fee schedule required a fee of \$400. Also, for another school, a religious organization was assessed no fee for use of a school cafeteria for three hours and assessed \$45 per hour for air-conditioning, although the fee schedule required a fee of \$100 plus \$55 per hour for air-conditioning.
 - An agreement provided for a donation in lieu of facility fee payment; however, the agreement did not identify the donation amount and District records did not evidence receipt of a donation in connection with this agreement.

Without reasonably determining and consistently assessing such fees, there is an increased risk that facility users may not be treated equitably and the District may not recover all costs associated with facility use.

- District personnel indicated that they accounted for some of the fees in the school internal accounts and the remainder in the General Fund as miscellaneous revenues. While District records did not disclose the total fees recorded for facility use in the school internal accounts, the Florida Department of Education publication titled *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book) limits revenue recording of school internal funds to financial transactions of school organizations. Consequently, facility use fee revenue should be accounted for as District General Fund miscellaneous revenues. Proper accountability of these revenues would ensure that the Board budgets and uses this income consistent with other educational revenues.
- Transfer documents and restrictive check endorsements were not required to evidence the transfer of collections between employees and ensure checks were appropriately deposited. Transfer documentation fixes responsibilities should a loss occur and restrictive check endorsements reduces the risk of collection losses.
- District procedures did not provide for periodic reconciliations of facility use fee collections, deposits, and accounting records to supporting documents, such as facility use agreements and fee schedules. Without such reconciliations, the District cannot be assured that all collections have been appropriately collected, deposited, and recorded.

Recommendation: The District should enhance procedures to ensure Board approval of the schedule of facility use fees and facility use agreements. Also, the District should enhance procedures to ensure that facility use fee assessments are consistent with facility use agreements and the schedule of facility use fees. Such procedures should also ensure proper accountability for fee collections in the General Fund, use of written acknowledgement of facility fee collections transferred among employees, restrictive check endorsements, and periodic reconciliations of facility use fee collections, deposits, and accounting records to supporting facility use agreements and fee schedules.

Procurement

Finding No. 7: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, the Purchasing Department requires vendors and consultants to certify in writing whether conflicts of interest exist prior to entering into procurement transactions or contractual relationships.

The Superintendent, Board members, Executive Director of Finance and Performance, and Director of Purchasing were required to file statements of financial interests pursuant to Section 112.3145, Florida Statutes. However, these statements of financial interests were not provided to the Purchasing Department for review. Providing for routine review and consideration of required statements of financial interests by the Purchasing Department would enhance the District’s procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by its Purchasing Department for making procurement decisions.

Insurance

Finding No. 8: Health Insurance Plan - Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to provide a contribution toward the health insurance of each full-time employee that ranged from \$6,357 to \$10,641 and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District’s health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. Employees may enroll in the District’s health insurance plan upon being hired and during open enrollment periods, and make changes to their

coverage outside of open enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 742 employees who contributed a total of \$2.4 million and 99 retirees who contributed a total of \$741,000 to participate in the District’s health insurance plan, and the District contributed \$7.4 million toward the plan. Also, 894 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums and related claims payments were only for eligible employees and retirees. Also, for dependent insurance changes outside of open enrollment periods, employees and retirees provided evidence of the dependents’ eligibility for the changes. However, the District did not require documentation, such as birth certificates, evidencing the eligibility of dependents of new employees or employees purchasing health insurance for their dependents during open enrollment periods. Without verifying the eligibility of all dependents covered through the District’s health insurance plan, there is an increased risk that the dependents receiving insurance coverage may be ineligible participants.

Although employees and retirees are required to pay health insurance premiums for dependent coverage, future premium rates for the District’s health insurance plan are based on claims experience. Therefore, claims for an ineligible dependent could result in future increases in health insurance premiums paid by the District for employees’ healthcare coverage.

Recommendation: **The District should enhance its procedures to require verification of eligibility of all dependents covered by the District’s health insurance plan.**

Virtual Instruction Program

Finding No. 9: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in the VIP; and provide computer equipment, Internet access, and instructional materials to eligible students.

The District contracted with the North East Florida Educational Consortium (NEFEC) to administer certain aspects of the VIP. During the 2013-14 fiscal year, seven students were enrolled in full-time VIP courses, and two students were enrolled in one course to supplement their school academic activity. Although Board policies addressed certain aspects of the VIP, the District had not established comprehensive, written VIP policies and procedures to document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. Additionally, the lack of comprehensive, written VIP policies and procedures may have contributed to the following instances of noncompliance and control deficiencies:

- Section 1002.45(10), Florida Statutes, requires that the District provide information to parents and students about their right to participate in a VIP, and Section 1002.45(1)(b), Florida Statutes, requires the District to provide parents with timely, written notification of the open enrollment periods for the VIP. The District’s Web site, school Web sites, and NEFEC’s Web site have links with information about the District’s VIP, and District personnel indicated the VIP was discussed with parents and students. While these methods indicate efforts by the District to communicate with parents and students about the VIP for the 2013-14 school year, District records did not evidence that written notifications were provided directly to parents of students. Without such direct

notifications, some parents may not be informed of available VIP options and associated enrollment periods, potentially limiting student access to virtual instruction types.

- Our review of the District’s contract with NEFEC disclosed that the contract contained deficiencies and lacked some necessary provisions. For example:
 - The contract did not require NEFEC to comply with all requirements of Section 1002.45, Florida Statutes. As this law contains specific program requirements, such as student eligibility and compulsory attendance requirements, excluding such requirements from the contracts may limit the District’s ability to ensure compliance with these requirements in the event of a dispute.
 - The contract did not include provisions for data quality requirements. NEFEC maintains significant amounts of education data used to support the administration of the VIP and to meet District reporting needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by NEFEC on behalf of the District be available in a timely manner. Inclusion of data quality requirements in the contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to NEFEC.
 - The contract did not include requirements for NEFEC to implement, maintain, and use appropriate administrative, technical, or physical security measures to the full extent required by Title 20, Section 1232g, United States Code, The Family Educational Rights and Privacy Act, to maintain the confidentiality of educational records. Additionally, the contract did not specify any minimum required security controls that the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive education data. Without specifying minimum required security controls, there is an increased risk that deficiencies in information security and other information technology (IT) controls may occur.
 - The contract did not provide for the District to monitor NEFEC’s compliance with contract terms or quality of the virtual instruction. Without such provisions, the District may be limited in its ability to perform such monitoring. Such monitoring could include confirmation or verification that NEFEC protected the confidentiality of student records and supplied students with necessary instructional materials.
- Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a condition of approval by the FDOE as a VIP provider in the State. The District’s contract with NEFEC indicated that NEFEC was responsible for assigning teachers, certified in their respective subject areas, to courses and students, and for supervising NEFEC-contracted teachers. However, the District did not request or obtain confirmation that the VIP teachers were subjected to required background screenings. Without effective controls to ensure that VIP teachers are subjected to required background screenings, there is an increased risk that teachers may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and IT resources. Subsequent to our inquiry, the District obtained documentation from NEFEC that teachers assigned to District students had been subjected to background screenings.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. Such policies and procedures should include appropriate action to remedy the instances of noncompliance and control deficiencies identified above.

Information Technology

Finding No. 10: Access Privileges

The Legislature has recognized in Section 119.071(5)(a), Florida Statutes, 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 such information to ensure its confidential status. Board Policy 8330, *Student Records*, allows designated District school officials and personnel access to

student records to perform an administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose.

The District maintains student information, including SSNs, in its information technology system. The District has implemented access controls to protect its student information from unauthorized disclosure, modification, or destruction. Effective access controls provide designated employees access to student records based on a demonstrated need to view, change or delete these records.

Our test of access privileges to the District’s student information system for 26 employees disclosed unnecessary access privileges for 12 of these employees, as follows:

- The District granted Districtwide access to student SSNs to 6 employees, including 2 school principals, 2 executive secretaries, the Director of Adult Education and an adult education counselor. Although access to student SSNs at their location may be warranted, it was not evident why these employees needed Districtwide access of student SSNs to perform their assigned job responsibilities.
- The District granted Districtwide access to student SSNs to another 6 employees with Districtwide administrative responsibilities, including 3 staff from the Transportation Department, the Director of Operational and Planning, and 2 accounting clerks from the Payroll and Pre-K Departments, respectively. Given their assigned job responsibilities, it was not evident why these employees needed Districtwide access to perform their assigned job responsibilities.

The existence of unnecessary access privileges to these employees increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used in fraud against District students.

Recommendation: **The District should review the access privileges to student confidential information and restrict such access to locations and areas that are consistent with the employees’ assigned location and job responsibilities.**

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-151 except as shown in the following table:

Current Fiscal Year Finding Numbers	2012-13 Fiscal Year Audit Report and Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers
3	Audit Report No. 2014-151, Finding No. 1	NA
4	Audit Report No. 2014-151, Finding No. 4	Audit Report No. 2013-170, Finding No. 10
5	Audit Report No. 2014-151, Finding No. 6	Audit Report No. 2013-170, Finding No. 13

NA – Not Applicable (Note: Above chart limits recurring findings to two previous audit reports.)

OBJECTIVES, SCOPE, AND METHODOLOGY

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 April 2014 to November 2014 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.

The objectives of this operational audit 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 the safeguarding of assets.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-151.
- 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 programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of 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.

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; 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.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2013-14 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of 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 District management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

AUTHORITY

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.



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information Technology (IT) access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the finance, human resources, and student applications to determine the appropriateness and necessity based on the employees' job duties and adequacy with regard to preventing the performance of incompatible duties.
Board and committee minutes.	Read Board and Audit and Finance Committee minutes and, for selected meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2014, to the fund's revenues was less than the percents specified in Section 1011.051, Florida Statutes. Analytical procedures were applied to determine the reasonableness and ability of the District to make its future debt service payments. Also, applied analytical procedures to determine the reasonableness of the internal service funds' net position.
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed.
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and other restricted capital project funds were expended in compliance with the restrictions imposed on the use of these resources.
Construction processes.	Examined records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
Construction administration.	Determined whether the District adopted policies and procedures to monitor and reconcile construction management contract payment requests.
Identifying and prioritizing facility maintenance needs.	Evaluated procedures for identifying facility maintenance needs and establishing resources to address those needs.
Evaluating maintenance department staffing needs.	Reviewed procedures for evaluating maintenance department staffing needs. Determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Restrictions on use of Workforce Development funds.	Reviewed District’s records to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Food service sales and collections.	Reviewed food service collection procedures and tested daily cash collections to determine whether meal sales and collections were accurately recorded, reconciled, and timely deposited.
Adult general education program enrollment reporting.	On a test basis, determined whether the District properly reported instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Background screenings.	Determined, on a test basis, whether personnel had been subjected to required fingerprinting and background checks.
Eligibility for health insurance benefits.	Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
Payroll time and attendance records.	Tested time and attendance records to determine whether the District had implemented procedures for monitoring time and attendance.
New hire qualifications and evaluations.	Tested new hire records to determine whether the District verified and documented the employee’s required education and experience to meet the position requirements. Also determined whether the District performed required evaluations and observations for newly hired instructional personnel.
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board established a documented process and adopted a salary schedule to ensure that differentiated pay of instructional personnel and school administrators is based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Dual enrollment program.	Reviewed District policies and procedures related to the dual enrollment program. Determined, on a test basis, whether payments made for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

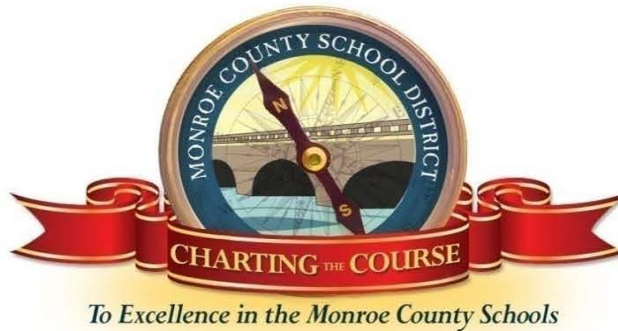
Scope (Topic)	Methodology
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid District purposes. Also, determined whether such payments were contrary to Section 112.313, Florida Statutes.
Use of District facilities.	Tested facility rentals and reviewed the supporting documentation to determine compliance with District policies and procedures for facility-use agreements, proof of insurance, and rental payments.
Related-party transactions.	Reviewed District policies and procedures related to identifying potential conflicts of interest. For selected District employees, reviewed Department of State, Division of Corporation, records; statements of financial interest; and District records to identify any potential relationships that represent a conflict of interest with vendors used by the District.
District expenditures and use of District resources.	On a test basis, determined the reasonableness of District disbursements and whether disbursements were properly supported by purchase orders, invoices, and other applicable documentation. Also, reviewed Board policies relating to personal use of District resources.
Journal entries.	Tested journal entries to determine whether the journal entries were supported, properly authorized, and timely recorded in the District accounting records.
Motor vehicle utilization.	Tested vehicle logs for completeness, supervisory review, and use of logs to schedule preventative maintenance.
Competitive procurement.	On a test basis, determined whether vendors had been competitively selected pursuant to applicable State law, administrative rule, and District policy and procedures.
Virtual instruction program (VIP) policies and procedures.	Determined whether the District had comprehensive written VIP policies and procedures addressing certain important VIP functions.
VIP parent options.	Reviewed District records to determine whether the District provided the VIP options required by State law and provided parents and students with information about their rights to participate in the VIP as well as timely written notification of VIP enrollment periods.
VIP fees.	Reviewed District accounting records to ensure that the District refrained from assessing registration or tuition fees for participation in the VIP.
VIP Sunshine State Standards.	Reviewed records to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
VIP instructional materials and computer resources.	Reviewed student records and determined whether the District ensured that VIP students were provided with all necessary instructional materials and computing resources necessary for program participation for those eligible students that did not already have such resources in their home.
VIP eligibility.	Tested student records to determine whether students enrolled in the VIP met statutory eligibility requirements.
VIP background screenings.	For District-contracted FDOE-approved VIP providers, determined whether the District obtained evidence that all provider employees and contracted personnel were subjected to background screenings in accordance with Section 1002.45(2)(a)3., Florida Statutes.
VIP participation requirements.	Tested student records to determine whether students enrolled in the VIP met statutory participation requirements, including compulsory attendance and State assessment testing requirements.
VIP FDOE-approved contract provisions.	For District-contracted FDOE-approved VIP providers, determined whether contracts with the providers contained provisions required by State law, including: (1) a detailed curriculum plan; (2) a method for satisfying graduation requirements; (3) a method for resolving conflicts; (4) authorized reasons for contract terminations; (5) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed; and (6) a requirement that the provider comply with Section 1002.45, Florida Statutes. Also, reviewed contracts to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, monitoring of the providers' quality of virtual instruction, data quality, and the availability of provider accounts and records for review and audit by the school districts and other external parties.
VIP FDOE-approved contract fees.	Reviewed contract fee provisions, inquired as to how fees were determined and reviewed payments made by the District to FDOE-approved providers for services rendered.
VIP teacher certification.	Compared the certification coverages listed on the teachers' certificates to the required coverages for courses taught as listed on the FDOE's Course Code Directory to determine whether the VIP teachers selected for testing were properly certified.
VIP residual funds.	Determined whether the District had established controls to ensure that residual VIP funds are restricted and used for the District's local instructional improvement system or other technological tools, as required by law.

**EXHIBIT B
MANAGEMENT’S RESPONSE**

MARK T. PORTER
Superintendent of School



Members of the Board

District # 1
BOBBY HIGHSMITH

District # 2
ANDY GRIFFITHS
Chairman Emeritus

District # 3
ED DAVIDSON

District # 4
JOHN R. DICK
Chair

District # 5
RONALD A. MARTIN
Vice Chair

February 17, 2015

Mr. David W. Martin, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin,

I have reviewed the list of preliminary and tentative findings and recommendations based on your operational audit of the Monroe County District School Board. My response to each finding is as noted below:

Finding No. 1:

District procedures did not always ensure that minutes of its Audit and Finance Committee were appropriately maintained and time approved, contrary to the Sunshine Law.

Response:

The District concurs with this audit finding. The District will enhance its procedures to ensure that Committee minutes are timely prepared, approved, and made available to the public on the District’s Web site.

Finding No 2:

District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes, resulting in \$224,921 of questioned costs.

Response:

The District concurs with this finding. Upon notification from the auditors, the District reviewed and enhanced its procedures to ensure that unallowable software purchases are not made from ad valorem tax proceeds. The questioned costs were moved to an appropriate funding source in the 2014-15 fiscal year.

Office of the Superintendent
241 Trumbo Road • Key West, FL 33040
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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Monroe County School District
Page 2 of 3

Finding No. 3:

The Board had not implemented a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. In addition, policies and procedures providing for employee salary adjustments could be enhanced.

Response:

The Board recently approved Policy 3410 that addresses the factors described in the aforementioned statute. The passage of this policy will guide the establishment of a documented process to identify instructional personnel entitled to differentiated pay. The District will continue its efforts to establish procedures on how employment factors are to be used in setting initial step placement or adjustments to salaries.

Finding No. 4:

Payroll processing procedures could be enhanced to ensure that all employee work time is appropriately documented and approved.

Response:

The District will continue its efforts to ensure that all employee work time is appropriately documented and approved, accurately recorded and reconciled to payroll leave records.

Finding No. 5:

Controls over the use of District motor vehicles could be enhanced.

Response:

Although improvement was noted in the current audit, the District will continue its efforts to ensure that vehicle logs for District-owned vehicles are properly maintained and reviewed.

Finding No. 6:

Controls over assessment and collection of facility use fees could be enhanced.

Response:

On October 14, 2014, the Board approved a revised facility use agreements and fee schedule. The District is in the process of updating Board Policy 7510 and Administrative Procedure 7510A to ensure that facility use fee assessments are consistent with facility use agreements and the schedule of facility use fees. These procedures will include proper accountability for fee collections in the General Fund, use of written acknowledgement of facility fee collections transferred among employees, restrictive check endorsements, and periodic reconciliations of facility use collections to supporting facility use agreements.

**EXHIBIT B (CONTINUED)
MANAGEMENT’S RESPONSE**

Monroe County School District
Page 3 of 3

Finding No. 7:
Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Response:

The District will provide for routine review of required statements of financial interests by its Purchasing Department for consideration in making procurement decisions.

Finding No. 8:
The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District’s health insurance plan.

Response:

The District has enhanced its procedures to require verification of eligibility of all dependents covered by the District’s health insurance plan.

Finding No. 9:
Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing comprehensive, written VIP policies and procedures.

Response:

The District will develop and establish comprehensive, written VIP policies and procedures to ensure the effectiveness of the programs operations and related activities.

Finding No. 10:
The District’s management of access privileges to student confidential information by its employees needed improvement.

Response:

The District is very mindful regarding the protection of our student and staff data. We have developed and implemented a process for the review of access of users in our system by the managing supervisor on a twice a year basis. The District is presently in the process of evaluating the replacement of our current systems to further enhance security protocols.

We appreciate the professionalism of staff throughout the audit process.

Sincerely,



Mark T. Porter, Superintendent
Monroe County Schools