

CAPITAL OUTLAY FUNDING

Finding No. 1: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in approximately \$7.6 million of questioned costs.

Finding No. 1: Capital Outlay Funding

Recommendation: The District should enhance controls to ensure that expenditures of ad valorem tax levy proceeds are made only for authorized purposes. Such controls would include District records, such as personnel activity reports and insurance premium documentation to evidence the allowable activities being funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the questioned costs totaling \$7,609,763 or restore these costs to the LCI Fund.

Response:

The District takes exception to this finding in part. We believe that the activities related to the LCI transfers were allowable, and will address each of the notes above:

- (1) The building supervisors referenced in the finding have the responsibility to maintain and repair the District's educational and ancillary buildings. The job description for Building Supervisors does not reference supervising other staff with the exception of the Job Description for Building Supervisors at the 13 High Schools. The essential function that includes supervising is one of thirteen essential functions. In addition, that does not negate the fact that the building supervisors' main responsibility is the maintenance and repair of buildings. The district has head custodians, who also have supervisory responsibility for custodians, but also have significant custodial responsibilities. Building supervisors are a level above that, have virtually no custodial responsibilities, and concentrate on maintenance and repair of buildings.
- (2) The District understands the disallowance of insurance premiums for general liability, workers' compensation, school leaders, and catastrophic student accident. However, there is an additional \$1,261,648.49 paid in property claims that were disallowed by this finding. Because the district is self-insured, these claims were paid in lieu of premiums, and should be included as a reinsurance cost. We respectfully request this amount be added to the allowable transfer.
- (3) The district did include costs for six IT technicians, whose main responsibilities are the maintenance and repair of network infrastructure and implementation of new equipment and infrastructure for the District. The employees may also perform email and software maintenance, but there is no documentation in the statute that these activities are disallowed.
- (4) The District agrees that these costs are not allowable and should be reimbursed to capital.
- (5) The District agrees that these costs are not allowable and should be reimbursed to capital.
- (6) The District agrees that these costs are not allowable and should be reimbursed to capital.

PERSONNEL AND PAYROLL

Finding No. 2: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 2: Performance Assessments

Recommendation: The District should ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.

Response: For the 2011 – 2012 school year, the School District of Lee County implemented a new teacher evaluation system basing 50% of the teacher's evaluation on student growth indicators assessed annually by statewide assessments or, for subjects and grade levels not measured by statewide assessments, by school district assessments as provided in 1008.22(8), Florida Statutes. In addition, each individual teacher works collaboratively with his/her evaluating administrator to set three goals as a part of the teacher's professional development plan. Two of the three goals must specifically target student growth as measured by standardized assessments such as the FCAT, SAT-10 etc. These described changes are in alignment with the requirement of s. 1012.34(3), Florida Statutes. Similarly, the new administrator evaluation system also bases 50% of the administrator's evaluation on student growth as measured by standardized, school-wide assessments such as the FCAT Reading, Math and End-of-Course Algebra. This new administrator evaluation system is also being implemented during the 2011 – 2012 school year. Records will be maintained as evidence that evaluations for instructional and administrative staff were based primarily on student performance. The District implemented an online performance assessment for both administrators and instructional staff. This evaluation instrument includes student learning growth indicators based on students assigned or within the scope of responsibility of the individual being evaluated.

Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

Finding No. 3: Compensation and Salary Schedules

Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c), Florida Statutes.

Response: The School District of Lee County has a long history, beginning in 1999, of basing a portion of a teacher's salary on performance. Severe budget reductions have limited the District's ability to continue these efforts which is typical across the State of Florida. Section 1012(1)(c)4, Florida Statutes (2010) states that "The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of performance difficulties." The District did implement a Differentiated Salary Schedule for the 2010 – 2011 fiscal year which clearly identifies positions earning additional compensation due to critical shortage, school demographics or increased job responsibility which aligns with the requirements of Florida Statutes. Through the District's Race to the Top initiative, the District is further developing a differentiated salary schedule which will include additional critical need positions such as lead teacher for critical need schools. Other positions such as mentor teacher are also being developed for implementation as early as the 2012 – 2013 school year. The District will return to basing a portion of a teacher's salary on student performance within the implementation period outlined in the Race to the Top initiative and the Student Success Act. Student growth performance data will be the basis for at least 50% of the evaluation for all instructional and school-based administrative staff. These evaluations will be linked to all significant salary adjustments by the end of the 2014 – 2015 fiscal year. A portion of an instructional employee's compensation will be based upon performance demonstrated under s. 1012.34, Florida Statutes and as documented in the employee's evaluation. The Division of Human Resources will develop a formal policy and procedures for Board approval to ensure that a portion of each instructional employee's compensation is based on performance and differentiated pay consistent with Section 1012.22(1)(c), Florida Statutes.

CASH CONTROLS

Finding No. 4: Controls over electronic funds transfers could be enhanced.

Finding No. 4: Electronic Fund Transfers

Recommendation: The Board should adopt formal written policies and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce consistent with applicable Florida Statutes and SBE Rules.

Response: There are established procedures and authorizations, to include secure codes, for electronic funds transactions. In addition, the Board will adopt a formal written policy for the purpose of electronic transfer of funds.

CHARTER SCHOOLS

Finding No. 5: Enhancements were needed in monitoring the required insurance coverage of the District's charter schools.

Finding No. 5: Monitoring of Charter Schools Insurance

Recommendation: The District should enhance its procedures to ensure that each charter school of the District maintains the insurance required by Board policy and charter school contracts.

Response: The audit found that six of the charter schools insurance policies only provided 30 days written notice of cancellation, contrary to the 60-day written notice required by Board policy and charter school contracts. In the future, the Director of Insurance & Benefits Management will specifically review insurance documents submitted to verify that a 60-day cancellation period is provided. As always, the District will withhold approval for each charter school to open for the school year until we have received approval of each school's insurance documentation from the Department of Insurance & Benefits Management.

The audit found that four of the charter schools did not carry blanket fidelity bonds, contrary to Board policy and charter school contracts. In the future, the current Director of Insurance & Benefits Management will specifically review insurance documents submitted to verify that blanket fidelity bonds are provided. As always, the District will withhold approval for each charter school to open for the school year until we have received approval of each school's insurance documentation from the Department of Insurance & Benefits Management.

The audit found that four of the charter schools did not carry property hazard insurance, contrary to the charter school contracts. The requirement for property hazard insurance is in the district standard charter contract but is not included in School Board policy 2.28, which is the rubric by which the insurance documents were evaluated by the Director of Insurance & Benefits Management at the time these insurance documents were approved by her. The District will recommend that the School Board amend Board Policy 2.28 to include a requirement for property hazard insurance. In the future, the Director of Insurance & Benefits Management will specifically review insurance documents submitted for this coverage. As always, the District will withhold approval for each charter school to open for the school year until we have received approval of each school's insurance documentation from the Department of Insurance & Benefits Management.

ADULT GENERAL EDUCATION

Finding No. 6: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding No. 6: Adult General Education Courses

Recommendation: The District should strengthen its controls over the reporting of instructional contact hours for adult general education courses to FDOE.

Response: The Adult Education Department has already made several improvements to ensure accurate reporting of student instructional contact hours. The changes include the development of an internal SQL Database to house student records and integrating the attendance into this program thereby eliminating the constant transfer of student information between multiple Excel record sheets. It is the Department's contention that eliminating those data transfers will assist in rectifying the audit findings. It is also the Department's intent to continually monitor submitted contact hours for students.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 7: Controls over facilities construction and maintenance activities could be enhanced.

Finding No. 7: Facilities Management

Recommendation: The District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and techniques for performing significant maintenance-related jobs, and document these evaluations. In addition, the District should document progress toward achieving stated goals and objectives for the construction and maintenance services departments to ensure that facilities are effectively and efficiently constructed and maintained.

Response: For the past eight years, before a new project is started, the cost, availability, and life cycle of new material and construction methods are evaluated before making any decision. Previous customers (Principals and staff) are requested to evaluate and recommend changes in design and/or materials. Maintenance staff evaluates and recommends new product technologies and equipment that are more efficient. All of the above processes and evaluations will be documented on a form titled "Material, Equipment and Construction Method Evaluation Form."

Goals are established every year by all departments. The Construction and Maintenance Services Department goals and objectives for Fiscal Year 2012-13 will be written to ensure that the goals are measurable by comparing them to an industry standard.

COMMUNICATION EXPENSES

Finding No. 8: Improvements were needed in controls over wireless devices.

Finding No. 8: Wireless Communication Devices

Recommendation: The District should enhance its monitoring procedures over wireless communication devices to ensure that use is in accordance with District policies and procedures. The District should also ensure that the billing statements are periodically reconciled to the master listing to ensure the District is being properly billed for device usage.

Response: The District is currently reviewing the assignment of all wireless devices and will establish general guidelines related to the use of wireless devices, determine which employee positions should have District wireless devices and the type of device. Annually, the District will review the assignment of the devices. A form will be developed outlining appropriate use of cell phones and require a signature for existing users and new users as they are added to the plan.

INFORMATION TECHNOLOGY

Finding No. 9: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 9: Access Privileges

Recommendation: The District should establish written procedures regarding the review of user access and continue to review application roles. The District should also implement periodic reviews of all employees' application access privileges, as well as privileges to the supporting database, and timely remove or adjust any inappropriate or unnecessary access detected. In addition, District procedures should ensure that access privileges enforce an appropriate separation of incompatible duties and do not exceed what is necessary for assigned job duties.

Response: The District agrees that procedures should be enhanced to ensure timely removal of access privileges of former employees. We are currently working on a solution to more closely synchronize removal of privileges with employee terminations.

Finding No. 10: District controls did not always provide for timely removal of IT access privileges of former employees.

Finding No. 10: Timely Removal of Access Privileges

Recommendation: The District should enhance its procedures to ensure timely removal of access privileges of former employees.

Response: The District agrees that procedures should be enhanced to ensure timely removal of access privileges of former employees. We are currently working on a solution to more closely synchronize removal of privileges with employee terminations.

Finding No. 11: The District's security controls related to user authentication and data loss prevention needed improvement.

Finding No. 11: Security Controls – User Authentication and Data Loss Prevention

Recommendation: The District should improve security controls related to user authentication and data loss prevention to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Response: The District understands the auditors' recommendations and will study the feasibility of implementation of these recommendations.

Finding No. 12: The District had not developed a written, comprehensive IT risk assessment.

Finding No. 12: Risk Assessment

Recommendation: The District should develop a written, comprehensive IT risk assessment to provide a documented basis for managing IT related risks.

Response: The District will work toward developing a written IT risk assessment.

Finding No. 13: The District did not have a written security incident response plan.

Finding No. 13: Security Incident Response Plan

Recommendation: The District should develop a written security incident response plan to provide reasonable assurance that the District will respond in a timely and appropriate manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

Response: The District will work toward developing a written security incident response plan.