

**LEE COUNTY  
DISTRICT SCHOOL BOARD**

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**Operational Audit**



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2010-11 fiscal year are listed below:

	District <u>No.</u>
Mary Fischer, Vice Chair from 11-16-10 (1)	1
Jeanne S. Dozier	2
Jane E. Kuckel, Ph.D.	3
Steven K. Teuber to 11-15-10, Chair	4
Don H. Armstrong from 11-16-10	4
Elinor C. Scricca, Ph.D., to 11-15-10, Vice Chair	5
Thomas Scott, Chair from 11-16-10	5

James W. Browder, Ed.D., Superintendent from 7-1-10 through 9-24-10

Lawrence D. Tihen, Ph.D., Interim Superintendent from 9-25-10  
through 6-30-11

Note: (1) Board member resigned on 6-16-10 and position remained vacant until replaced on 11-16-10.

The audit team leader was James A. Grattan, CPA, and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Vikki S. Matthews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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**LEE COUNTY**  
District School Board

**SUMMARY**

Our operational audit disclosed the following:

**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.

**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. 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).

**CASH CONTROLS**

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

**CHARTER SCHOOLS**

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

**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.

**FACILITIES ADMINISTRATION AND MONITORING**

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

**COMMUNICATION EXPENSES**

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

**INFORMATION TECHNOLOGY**

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

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

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

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

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

**BACKGROUND**

The Lee County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Lee County. The governing body of the District is the Lee County District School Board, which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board.

During the 2010-11 fiscal year, the District operated 96 elementary, middle, high, and specialized schools; sponsored 16 charter schools; and reported 80,825 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, 2011, was presented in our report No. 2012-059, dated December 16, 2011.

**FINDINGS AND RECOMMENDATIONS**

**Capital Outlay Funding**

**Finding No. 1: 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; maintenance, renovation, and repair of existing schools; purchases of new and replacement equipment; certain enterprise resource software 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 2010-11 fiscal year, the District had LCI Fund expenditures totaling \$41,899,201, and transfers totaling \$20,553,732 to the General Fund. We tested LCI Fund expenditures and transfers totaling \$16,528,230 to determine their propriety. Our tests disclosed \$7,609,763 of LCI Fund transfers to the General Fund for purposes that did not appear to be authorized by Section 1011.71, Florida Statutes, as follows:

Description	Amount	
Transfers to the General Fund for:		
Salaries and benefits costs for Building Supervisors (1)	\$	4,468,807
Property and Casualty Insurance (2)		2,336,603
Salaries and benefits costs for Information Technology Services Personnel (3)		390,812
Grounds Management (4)		356,526
Pest Control (5)		49,482
Turf Management (6)		7,533
Total	\$	7,609,763

**Notes:**

- (1) District personnel indicated that these costs were for the salaries and benefits of building supervisors who maintain and repair the District’s educational and ancillary buildings. Job descriptions of the building supervisors included minor electrical, electronics, carpentry, and plumbing repairs, and District personnel indicated these services were the main functions of the supervisors; however, the job descriptions also included supervisory responsibilities related to custodial and groundskeeping functions. Section 1013.01(12), Florida Statutes, provides that maintenance and repair does not include custodian or groundskeeping functions, and District records, such as personnel activity reports, were not maintained to evidence that all activities performed by these employees represented allowable uses of ad valorem tax levy proceeds.
- (2) District records indicated that these costs were for the District’s casualty self-insurance program reinsurance premiums and claim costs. However, our review of premium cost information disclosed certain costs that were not for insuring the educational and ancillary plants, such as reinsurance for general liability, workers’ compensation, school leaders, catastrophic student accident, and crimes. In addition, the basis for using ad valorem tax levy proceeds for claim costs to replace uninsured property was not readily apparent. As such, these costs do not represent allowable uses of ad valorem tax levy proceeds.
- (3) District personnel indicated that these costs include 100 percent of the salaries and benefits for six Information Technology Services (ITS) employees. The ITS employees maintain and repair the District’s network infrastructure and implement new equipment and infrastructure Districtwide. However, the job descriptions of these employees indicate the employees are responsible for e-mail maintenance, software maintenance, and nonenterprise resource software network administration, and District records, such as personnel activity reports, were not maintained to evidence that all activities performed by these employees represented allowable uses of ad valorem tax levy proceeds.
- (4) District records indicated that these grounds management costs include payments for services, such as to shaping and booting palms, lifting and thinning hardwoods, and removing exotic vegetation from abatement area; however, these costs do not represent allowable uses of ad valorem tax levy proceeds.
- (5) District records indicated that these pest control costs include payments for fire ant bait and other pest control services; however, these costs do not represent allowable uses of ad valorem tax levy proceeds.
- (6) District records indicated that these turf management costs include payments for fertilizer and other groundskeeping costs; however, these costs do not represent allowable uses of ad valorem tax levy proceeds.

These costs represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions. Section 1011.71(6), Florida Statutes, provides that a school district that violates the expenditure restrictions of Section 1011.71, Florida Statutes, shall have an equal dollar reduction in Florida Education Finance Program funds appropriated to the school district in the fiscal year following the audit citation. A similar finding was noted in our report No. 2009-113.

**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.

**Follow-up to Management’s Response:**

*The District’s response indicates that the job descriptions of building supervisors do not reference supervising other staff, except for the job descriptions of high school building supervisors. However, the job descriptions of the elementary, middle school, and high school building supervisors include assisting with hiring and selecting custodial positions, prioritizing tasks related to cleaning school sites and grounds, monitoring cleanliness to assure daily tasks, and assisting with tasks related to grounds (e.g., mowing, pruning, care of trees, shrubbery and plants). District records did not evidence what portion of these building supervisors’ time was spent supervising these types of activities, which may not lawfully be funded from ad valorem tax levy proceeds.*

*The District’s response also indicates that \$1,261,648.49 of self-insurance property insurance claims paid in lieu of premiums, and e-mail and software maintenance costs, are allowable uses of ad valorem tax levy proceeds; however, as these costs are not explicitly identified in Section 1011.71, Florida Statutes, as allowable uses, expenditures from these proceeds for these purposes represent questioned costs.*

**Personnel and Payroll**

**Finding No. 2: Performance Assessments**

Section 1012.34(3), Florida Statutes (2010),<sup>1</sup> required the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of these employees, the procedures were to primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3) Florida Statutes (2010), at the school where the employee worked. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), included evaluation measures such as the employee’s ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes (2010), required that, if an employee was not performing satisfactorily, the performance evaluator had to notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures for instructional personnel and school administrators based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010), except the performance assessments did

<sup>1</sup> Sections 1012.34 and 1008.22, Florida Statutes, were amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.34(3)(a), Florida Statutes (2011), at least 50 percent of performance evaluations of instructional personnel and school administrators must be based upon data and indicators of student learning growth assessed annually by statewide or district assessments spanning three years of data. However, if three years of data is not available, the District must use the available data and the percentage of the evaluation based upon student learning growth may be reduced to not less than 40 percent for administrators and in-classroom instructional personnel, and to not less than 20 percent for instructional personnel who are not classroom teachers.

not evidence that the employees were evaluated based primarily on student performance as the assessments included student performance categories representing only 10 and 12 percent of the instructional personnel and school administrators assessments, respectively. In addition, District records did not correlate the student performance categories to student achievement based on data such as FCAT scores or other student tests. While the District administered a merit award program basing performance assessments primarily on student performance during the 2009-10 fiscal year, the program was discontinued for the 2010-11 fiscal year due to budget constraints, and the assessment forms were not updated to properly correlate student and employee performance.

District personnel indicated that they delayed revisions to performance assessments until implementation of the Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education for the 2011-12 fiscal year. However, without student performance primarily affecting employee performance, performance assessments of instructional personnel and school administrators may not effectively communicate the employee's accomplishments or shortcomings.

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**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.

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### Finding No. 3: Compensation and Salary Schedules

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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)2., Florida Statutes (2010),<sup>2</sup> provided that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes (2010), required the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule was subject to negotiation as provided in Chapter 447, Florida Statutes, and was required to 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 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. Such policies and procedures could establish and communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010). Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2010-11 fiscal year salary schedule and applicable union contracts for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of

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<sup>2</sup> Section 1012.22, Florida Statutes, was amended by Chapter 2011-1, Laws of Florida, effective July 1, 2011. For the 2011-12 fiscal year, pursuant to Section 1012.22(1)(c)4.b., Florida Statutes, the District must base a portion of each employee's compensation upon performance demonstrated under Section 1012.34, Florida Statutes, and provide differentiated pay for instructional personnel and school administrators based upon district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

education, and other factors. However, the District’s procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes (2010), could be improved, as follows:

- **Instructional Personnel.** Contrary to Section 1012.22(1)(c)2., Florida Statutes (2010), the instructional personnel salary schedule and union contracts did not evidence that a portion of the compensation of each instructional employee was based primarily on performance.

Instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard seven and one-half hour day, such as supplements for athletic coaches, band directors, and student activity and organization sponsors. Also, District personnel indicated that differentiated pay for school demographics was provided for English as a Second Language personnel based on the number of students served, and school psychologists, speech-language pathologists, and exceptional student education teachers were identified for level of job performance difficulties and as critical shortage areas. However, District records did not sufficiently evidence the basis for identifying the critical shortage areas. Such documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining particular personnel.

- **School-based Administrators.** District personnel indicated that the school-based administrators’ salary schedule evidenced consideration for additional responsibilities, school demographics, and level of job performance difficulties by the differing administrative pay grades for elementary, middle, and high schools based on the type school. However, the salary schedule did not provide for differentiated pay based on critical shortage areas for school-based administrators, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with the statutory performance and differentiated pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements. However, without Board-adopted policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance, and sufficiently identifying the basis for differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee’s performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

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**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.

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**Cash Controls**

**Finding No. 4: Electronic Fund Transfers**

Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic fund transfers (EFTs) for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment consistent with the provisions of Chapter 668, Florida Statutes. Pursuant to Section 668.006, Florida Statutes, the District is responsible for implementing control processes and procedures to ensure adequate integrity, security, confidentiality, and auditability of business transactions conducted using electronic commerce. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make EFTs provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution. An agreement must, among other things, contain the title of the bank account subject to the agreements and the manual signatures of the Board chair, superintendent, and employees authorized to initiate EFTs. Also, SBE Rule 6A-1.0012, FAC, requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.



The Board established an agreement with a bank to provide various services, including EFTs, and the agreement contained the signature of the Superintendent. For making electronic payments to designated accounts, the agreement identified four employees of the finance department as authorized representatives for telephone-initiated transfers. Additionally, the bank only performs EFTs that are initiated by an employee who is not one of the other three employees authorizing the EFT.

During the 2010-11 fiscal year, the District did not use EFTs to make vendor payments; however, the District regularly made electronic disbursements for its health self-insurance program, debt service payments, and direct deposit of employee pay and other payroll related activity, such as annuity, flexible benefit, and union dues. While the District used informal processes including verbal instructions, e-mail directions, workflow checklists, and other reviews to monitor and control electronic transmission of funds, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, contrary to Section 1010.11, Florida Statutes. In addition, the bank agreement lacked the signatures of the Board chair and employees authorized to initiate EFTs.

District personnel indicated that controls are in place, such as separation of initiator and authorizer of EFTs and management review of EFT transactions, to compensate, in part, for the lack of formal policies and procedures. While our tests did not disclose any EFTs for unauthorized purposes, such tests cannot substitute for management’s responsibility to establish effective internal controls. Without properly established policies and procedures governing EFT activities, there is an increased risk that errors or fraud could occur and not be timely detected.

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**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.

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<b>Charter Schools</b>
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**Finding No. 5: Monitoring of Charter Schools Insurance**

During the 2010-11 fiscal year, the District had 21 charter schools, including 16 schools sponsored by the District. The charter schools must provide the District with evidence that it met certain minimum insurance requirements, pursuant to Board Policy 2.28 and charter school contracts, and the Director of Insurance and Benefits Management is responsible for monitoring compliance with these provisions. However, our review of District records for six District-sponsored and two other charter schools disclosed the following:

- 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.
- Four of the charter schools did not carry blanket fidelity bonds, contrary to Board policy and charter school contracts.
- Four of the charter schools did not carry property hazard insurance, contrary to the charter school contracts.

In the absence of effective monitoring, there is an increased risk that coverage may not be sufficient, subjecting the charter schools and the District to potential uninsured losses. Similar findings were noted in our report Nos. 2006-197 and 2009-048.

**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.

**Adult General Education**

**Finding No. 6: Adult General Education Classes**

Section 1004.02, Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriations 9 and 109, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education’s (FDOE) instructional hours reporting procedures.

Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. These procedures also stated that institutions must develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule.

The District reported 619,887 adult general education contact hours to FDOE for the 2010-11 fiscal year. Our tests of approximately 5,000 hours reported for 30 students enrolled in 30 adult general education classes disclosed 5 students with a total of 144 hours overreported and 2 students with a total of 61 hours underreported, or 83 net overreported hours. According to District personnel, the errors occurred because information was not properly transferred from internal spreadsheets of program data showing enrollment and withdrawal dates collected at the instructional sites and entered in the mainframe system to transmit to FDOE. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2009-048.

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

**Facilities Administration and Monitoring**

**Finding No. 7: Facilities Management**

The construction services department is responsible for managing construction and renovation projects. During the 2010-11 fiscal year, the construction services department employed eight full-time employees, including construction and energy efficiency personnel, and the department’s operating cost was approximately \$1 million. Also, during this fiscal year, the District had expenditures totaling approximately \$4 million for capital projects fund construction and renovation projects and, as shown in the District’s Five-Year Facilities Work Plan approved by the Board on October 19, 2010, the District planned to spend an additional \$122 million on these projects over the next four years. At June 30, 2011, the cost of the District’s educational and ancillary facilities was approximately \$1 billion and, as shown in the Florida Department of Education’s Florida Inventory of School Houses data, District facilities had an average age of 22 years.

The maintenance services department is responsible for ensuring facilities are safe and suitable for their intended use. The maintenance services department performed heating, ventilating, and air-conditioning (HVAC); and electrical; plumbing; and other maintenance-related jobs. During the 2010-11 fiscal year, this department employed 152 employees, including grounds and maintenance personnel, and the department's operating cost was approximately \$11 million.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establishes procedures to evaluate the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks. Such procedures could include written policies and procedures documenting processes for evaluating facilities construction methods and maintenance techniques before commitment of significant resources to determine the most cost effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations and measurable objectives or benchmarks that are clearly defined to document the extent to which goals are achieved and accountability for facilities and maintenance department employees. While our review of facilities management procedures indicated that procedures were generally adequate, we noted the following procedural enhancements could be made:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts using the construction management at risk method with a guaranteed maximum price for new schools that are prototype designs. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine for each major construction project or significant maintenance-related job which would be most cost effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability.** The construction services and maintenance services departments have established short-term and long-term goals; however our review disclosed that these goals did not address accountability for these departments. For example, the goals for the construction services department included meeting department deadlines for completion and closeout for all projects that are due to be completed for the 2010-11 fiscal year, ensuring tax savings will be one percent of the guaranteed maximum price for each project, and ensuring the accuracy of financial documents received from contractors to eliminate the possibility of wasteful spending. Maintenance services department goals included comparing project man hours with private sector man hours for similar projects, reducing the total number of work orders outstanding more than 90 days by 5 percent each quarter for four quarters, and reducing the number of job injuries by 10 percent. However, District records did not evidence how the department personnel were held accountable for such outcomes.

To adequately measure achievement of established goals, accountability systems could be established to monitor achievement toward stated goals, and compare project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measureable objectives and benchmarks could assist the District in determining whether its construction services and maintenance services departments are operating as effectively and as cost-efficiently as possible.

**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.

### Communication Expenses

#### **Finding No. 8: Wireless Communication Devices**

The District provided wireless communication devices (devices), such as cellular telephones (cell phones) and cellular modems for internet access (air cards), to selected employees for text messaging, e-mail, and mobile internet use necessary for performing their duties. During the 2010-11 fiscal year, 194 cell phones and 66 air cards were used at a cost of approximately \$156,000.

Board policy prohibited District equipment, such as devices, from personal use. In addition, the information technology services (ITS) department developed guidelines that require department directors and principals to identify and approve personnel for these devices; perform a monthly review of device bills for propriety; review device use twice a year to evaluate rate plans based on need; and review and make adjustments, as necessary at least annually, to the inventory of devices to ensure that only employees that comply with prescribed criteria use the devices.

The ITS department maintains a master listing of all cell phones and air cards issued. Our review of the master listing, the May 2011 device billing statement, and other District records disclosed that the District's procedures for monitoring usage of devices needed improvement, as follows:

- The billing statement listed a total of 317 devices; however, 87 devices, consisting mainly of cell phones, on the billing statement were not recorded on the master listing. Also, there were 4 devices (three cell phones and one air card) on the master listing that were not on the billing statement. As such, the District was billed for 83 more devices than shown on the master listing, and District records did not explain why the two documents differed.
- For 39 devices, employees issued those devices per the billing statement were different than those on the master listing.
- No District employee was assigned the task of maintaining the cell phone or air card inventory nor were departments required to promptly notify a centralized designated employee of changes in cell phones or air cards issued, to whom assigned, or other information to maintain accountability for the cell phones and air cards.
- Individual users were not required to review their call history on monthly cell phone billings to identify any personal calls.
- Many departments did not require personnel to whom devices were issued to sign a statement evidencing receipt of the devices and their understanding of usage policies.

In the absence of effective controls to monitor cell phone and air card use, there is an increased risk that the District may be overcharged for these services, the services could be received by unauthorized personnel or for unauthorized purposes, and cell phones or air cards could be lost or stolen without timely detection.

**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.

### Information Technology

#### Finding No. 9: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Clear division of roles and responsibilities between IT staff and functional end users and within the established overall IT function helps preclude the possibility of a single employee subverting a critical process. For example, the functions of application end user; application development, maintenance, and administration; system programming and maintenance; network administration and maintenance; security administration; and database administration are typically separated. Periodically reviewing IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job responsibilities.

We reviewed selected access privileges to the enterprise application system (including the finance and human resources applications), and the supporting database to determine the appropriateness of access privileges. Our review disclosed various Information Systems (IS) and Information Technology Support (ITS) employees whose access privileges either permitted them to perform incompatible duties or were unnecessary for the performance of their job duties, increasing the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Specifically:

- Three IS employees had update capability to all critical finance and human resources (HR) transactions in addition to their assigned access for systems programming, application support and administration, and security administration of the enterprise application system. Also, three other IS employees had the ability to process manual accounts payable checks and one IS employee had the ability to change employees' addresses. Since only finance department or HR personnel responsible for maintaining this information should be granted such access, the access privileges granted were unnecessary for the employees' assigned responsibilities related to the technical support of the District's enterprise application system.
- Five ITS employees had database administrator authority in addition to their assigned access for administration of the District's network, and two IS employees, mentioned above with critical finance and HR update access, and one other IS employee had database administrator authority. In these circumstances, the combination of access privileges for these employees was unnecessary for their job responsibilities and contrary to an appropriate separation of duties.

District personnel indicated, and records evidenced, that various controls compensate, in part, for the deficiencies noted above. For example, District procedures include supervisory review and approval of employee work activities; timely, independent bank reconciliations; supervisory review and approval of transactions such as journal entries and electronic funds transfers; and restricted access to unused checks. While our tests did not disclose any errors or fraud resulting from the unnecessary access privileges, the incompatible duties increase the risk of unauthorized or erroneous disclosure, modification, or destruction of financial information and IT resources.

As of October 2011, the District did not have written procedures regarding the review of user access although, according to District personnel, the District recently began reviewing application roles (grouping of permissions on the application) and the roles' related access privileges.

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**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.

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**Finding No. 10: Timely Removal of Access Privileges**

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Effective management of IT access privileges includes the timely removal of employee privileges when employment is terminated. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others.

The District provides employee logon to District computers, e-mail, limited internet access, and other information using network accounts. Access to such accounts is generally discontinued upon employee termination by administrators, such as principals or directors, using a Web-based system. Our test of access privileges for ten employees who terminated employment during the 2010-11 fiscal year disclosed that three of these employees continued to have network account access from 28 to 151 days after their termination dates because of oversights by the administrators. Subsequent to our inquiry, the network account access privileges for those tested were discontinued. Prompt removal of access privileges of former employees would reduce the risk of access misuse. A similar finding was noted in our report No. 2009-048.

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

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

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication and data loss prevention that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication and data loss prevention, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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**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.

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**Finding No. 12: Risk Assessment**

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Management of IT-related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps an entity understand its greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessment, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact, helps support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although the District had informally considered external and internal risks and identified security controls such as selected configuration settings and policies and procedures to mitigate these risks, the District had not developed a written, comprehensive IT risk assessment. The absence of a written, comprehensive IT risk assessment may lessen the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls.

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

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**Finding No. 13: Security Incident Response Plan**

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Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for a team trained in incident response, and notification of affected parties.

While the District had informal procedures in place to address computer security incidents, the District did not have a comprehensive, written security incident response plan. Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan could result in the District's failure to take appropriate actions in a timely manner to prevent further loss or damage to the District's data and IT resources.

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**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.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2009-048.

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**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 February 2011 to September 2011 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: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in our report No. 2009-048. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2010-11 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing District personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the District’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**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.



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**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information technology (IT) logical access controls and user authorization.	Reviewed operating system, network, database, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested access privileges to determine the appropriateness and necessity based on the employees' job duties and adequacy with regard to preventing the performance of incompatible duties.
IT termination of employee access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely disabled.
IT data loss prevention.	Reviewed written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed written policies and procedures, plans, and forms related to security incident response and reporting.
IT risk management and assessment.	Reviewed the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
Monitoring of charter schools' insurance requirements.	Interviewed District personnel and examined supporting documentation to determine if the District effectively monitored whether the charter schools maintained insurance in accordance with District requirements.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2011, to the fund's revenues was less than the percents specified in Section 1011.051, Florida Statutes. Analytical procedures were also applied to determine the reasonableness and ability of the District to make its future debt service payments.
Limitations on investment types.	Examined written policies, procedures, and supporting documentation to determine compliance with Section 218.415, Florida Statutes.
Restrictions on use of nonvoted capital outlay tax levy proceeds and Public Education Capital Outlay (PECO) funds.	Applied analytical procedures, tested payments made from nonvoted capital outlay tax levy proceeds and PECO funds, and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay tax levy proceeds and PECO funds.

**EXHIBIT A (CONTINUED)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Workforce Development funds.	Applied analytical procedures 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).
Adult general education program enrollment reporting.	Tested adult education students from Florida Department of Education (FDOE) records and examined supporting documentation at the District to determine whether the District reported instructional and contact hours in accordance with FDOE requirements.
Social security numbers.	Examined records to determine whether the District had provided individuals with a written statement as to the purpose of collecting social security numbers pursuant to Section 119.071(5)(a), Florida Statutes.
Performance assessments.	Examined supporting documentation to determine whether the District had established adequate performance assessment procedures for instructional personnel and school administrators based primarily on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes.
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board, for instructional personnel, based a portion of each employee's compensation on performance, and adopted a salary schedule with differentiated pay for both instructional personnel and school-based administrators based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Overtime payments.	Reviewed District policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.
Board member compensation.	Examined supporting documentation to determine whether Board members' salaries were in compliance with Section 1001.395, Florida Statutes.
Former Superintendent's compensation.	To determine if the District's pay off to terminate the contract with the former Superintendent was 1) in compliance with contract terms; 2) in compliance with Section 1001.50, F.S., regarding the limitations on what a school board may pay a superintendent when terminating his employment; and 3) a financially sound management decision.
John M. McKay Scholarships for Students with Disabilities Program.	Examined records to determine whether parents and guardians were notified annually of the John M. McKay Scholarships for Students with Disabilities Program pursuant to Section 1002.39(5)(a), Florida Statutes.

**EXHIBIT A (CONTINUED)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Administration of construction projects.	For selected major construction projects, tested payments and supporting documentation to determine compliance with District policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the District monitored the selection process of subcontractors by the construction manager.
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 the District's short-term and long-term needs.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost-effective and consistent with established benchmarks, and whether contractors performed as expected.
Evaluation of 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 data.
Identifying and prioritizing facility maintenance needs, and tracking maintenance jobs.	Evaluated procedures for identifying facility maintenance needs including identification and timely resolution of health and safety deficiencies, and establishing resources to address those needs. Compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements and timely resolution of deficiencies identified during inspections.
Wireless communication devices.	Reviewed policies and procedures to determine whether the District limited the use of, and documented the level of service for, wireless communication devices.
Purchasing card transactions.	Tested purchasing card transactions for propriety and compliance with related laws, rules, and District procedures.
Electronic payments.	Reviewed District policies and procedures relating to electronic payments and tested supporting documentation to determine if selected electronic payments were properly authorized and supported.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.
Direct-support organization and charter school audits.	Reviewed the audit reports for the District's direct-support organization and charter schools to determine whether the audits were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
Lottery funds.	Applied analytical procedures and examined supporting documentation to determine whether the District complied with requirements related to the use of lottery funds.

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EXHIBIT B  
MANAGEMENT'S RESPONSE



THE SCHOOL DISTRICT OF LEE COUNTY

2855 COLONIAL BLVD. ♦ FORT MYERS, FLORIDA 33966-1012 ♦ (239) 334-1102 ♦ WWW.LEESCHOOLS.NET

- MARY FISCHER, M.A.  
CHAIRMAN, DISTRICT 1
- JEANNE S. DOZIER  
VICE CHAIRMAN, DISTRICT 2
- JANE E. KUCKEL, PH.D.  
DISTRICT 3
- DON H. ARMSTRONG  
DISTRICT 4
- THOMAS SCOTT  
DISTRICT 5
- JOSEPH BURKE, Ed.D.  
SUPERINTENDENT
- KEITH B. MARTIN, ESQ.  
BOARD ATTORNEY

December 9, 2011

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

Dear Mr. Martin:

Enclosed is the response to the Preliminary and Tentative Audit Findings on the Financial Federal audit of the Lee County School Board for the fiscal year ended June 30, 2011. Thank you for your assistance.

Sincerely,

Joseph P. Burke, Ed.D.  
Superintendent

Enclosures

Cc: Ms. Mary Fischer, Chairman, Lee County School Board  
Mrs. Jeanne Dozier, Vice Chairman, Lee County School Board  
Members, Lee County School Board  
Dr. Alberto Rodriguez, Chief Administrative Officer  
Mrs. Greta S. Campbell, Executive Director of Financial Services

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

**SCHOOL DISTRICT OF LEE COUNTY RESPONSES  
PRELIMINARY AND TENTATIVE AUDIT FINDINGS**

**Personnel and Payroll**

**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.

**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.

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

**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: 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



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

compensation is based on performance and differentiated pay consistent with Section 1012.22(1)(c), Florida Statutes.

**Cash Controls**

**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: 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

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

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 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: 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.

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

**Communication Expenses**

**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: 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: 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: Security Controls – User Authentication and Data Loss Prevention**

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

**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: 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: 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.