

INVESTMENTS

Finding No. 1: Improvements were needed in internal controls over the investment program.

Finding No. 1: Investment Controls

Recommendation: The District should provide for timely submission of investment reports to the Superintendent and Board, and continue its effort to provide the required investment training.

Response:

Prior to April 2014 the District's investments were entirely with the State Board of Administration's Investment Pool. In April 2014, the District began to diversify its investments to maintain safety and enhance return on investments. On April 2, 2014, the Board Investment Policy (6.05), was modified to expand the permissible investment vehicles available to the District for excess funds. At the end of fiscal year 2014, the first quarter of this new investment policy had just ended. Subsequent to audit date, the District has presented Quarterly Earnings Reports from our Investment Advisor to the Superintendent and the Board, and the persons named in the Board Policy as needing 8 hours per year of Continuing Professional Education (CPE) have completed and obtained the required CPE credits and investment training.

PROCUREMENT

Finding No. 2: Enhancements were needed in controls over the District's purchasing card program.

Finding No. 2: Purchasing Cards

Recommendation: The District should enhance controls over P-Cards to ensure that purchases are not split to circumvent transaction limits and that P-Cards of terminated employee are timely cancelled.

Response:

The District's P-Card procedures manual and policies have been revisited and updated in fiscal year 2014. Subsequent to this; the District has held Bookkeeper training sessions to insure the employees responsible to reconcile P-Card transactions are aware of the updated policies and are prepared to monitor P-Card purchases in accordance with these new policies. The District has notified all P-Card holders that a variation from approved District policies could result in cancellation of P-Card privileges or other disciplinary actions.

Training for the employees responsible to reconcile and administer/approve P-Card transactions included emphasis on the importance of collecting any P-Card from any employee that terminates employment with the District. To that end, the District's P-Card Administrator is now reviewing all Board agendas for employee terminations, to ensure that P-Cards are deactivated in a timely manner.

Finding No. 3: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 3: Purchasing Procedures

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

Response:

Copies of the Statement of Financial Interests filed pursuant to Section 1112.3145, Florida Statutes, will be obtained by the Internal Auditing Department and provided to the Procurement Department by the Superintendent, Board Members, and the other 95 employees who are required to file these forms with the Supervisor of Elections. The Procurement Department staff will review these Statements on an annual basis for possible conflicts of interest and report any possible instances to the Assistant Superintendent of Business and Finance.

CAPITAL OUTLAY FUNDING

Finding No. 4: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in approximately \$1.5 million of questioned costs.

Finding No. 4: Ad Valorem Taxation

Recommendation: The District should enhance controls to insure that ad valorem tax levy proceeds are expended only for authorized purposes. Such controls should include preparation of District records, such as personnel activity reports, to evidence the allowable activities being funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the \$1.49 million of questioned costs or restore this amount to the LCIF.

Response:

The District takes exception to this finding. In the previous Auditor General's review the same issue was raised. The District's response at that time was as follows:

- (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 the supervisory responsibility for custodians, but also have significant custodial responsibilities.

The School District of Lee County appealed this finding to the Florida Department of Education (FDOE) in the fiscal year 2011 audit and received an acknowledgement from the FDOE that the District was not in violation of the use of Ad Valorem Tax proceeds and the Building Supervisor salaries were indeed an appropriate usage of Capital Ad Valorem Tax proceeds. Since winning this appeal from fiscal year 2011, the District has continued the practice.

The District plans on filing another appeal to the FDOE on this issue as we do not agree with the Auditor General's office on this issue.

INSURANCE

Finding No. 5: Controls over health insurance services and related premium costs could be improved.

Finding No. 5: Health Insurance

Recommendation: The District should enhance its controls to ensure the eligibility of health insurance plan participants. Such procedures could include reconciliations of health insurance billings to payroll records and verifications of eligibility of dependents covered by the District's health insurance plan.

Response:

The District agrees with this finding and while there is no indication that any claims were paid for ineligible participants, the District is in the process of developing query reports to validate all insurance plan payments. The District will develop a process to compare payroll deductions from all eligible employees to the insurance plans on record for those employees. We will also compare that both the plan and payroll deduction agree to the premiums submitted to our Self Insured Plan Administrator for all eligible employee and dependent care coverage.

CHARTER SCHOOLS

Finding No. 6: Procedures could be enhanced to ensure that property and unencumbered funds of terminated charter schools are appropriately returned to the District.

Finding No. 6: Charter School Termination

Recommendation: The District should enhance procedures to ensure, upon terminations of charter schools, that financial audit reports for all terminated charter schools are obtained and that property and unencumbered funds are appropriately returned to the District. Further, the District should continue its efforts to obtain unencumbered funds totaling \$148,842.

Response:

The District strives, under the limitations of State Statute to gather financial audits of all Charter Schools, and be prepared to recover the property and unencumbered funds of any Charter

School that closes its doors. On November 25th the District recovered an additional \$25,000 from the Richard Milburn Academy per a Legal Settlement with this organization.

The District's Property & Records Department will strive to collect an annual property inventory from each charter location to assist in identifying items to be recovered in the event of a Charter School closure.

ADULT GENERAL EDUCATION

Finding No. 7: 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. 7: Adult General Education Classes

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours misreported and contact the FDOE for proper resolution.

Response: The District will minimize the Open Lab Schedules at the Tech Centers and will ensure that withdrawal process is followed and entered accurately. To correct programming design flaws, District has built separate day and evening classes for student enrollment and have added department oversight procedures to correctly manage the student withdrawals.

The District is also in the process of replacing our current Student Information System (SchoolDesx). The School District of Lee County is currently working with the FDOE under a grant to implement FOCUS Schools Software for all data. We will be implementing FOCUS for the Fiscal Year 2015-16. This new system will provide a better and more accurate way of reporting instructional hours.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 8: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 8: Virtual Instruction Program Policies and Procedures

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.

Response: The District will consider expanding its current VIP policies and guidelines to ensure that some type of timely written notification can be sent to parents and students about the availability and requirements of the VIP program. The District does currently advertise its VIP program on the District's website as well as the Parent Link notification system which sends e-mails, text messages and automated phone messages to parents. The District will also strive to

ensure that the availability of computing resources is part of all notifications to parents and students along with directions on how to qualify for such resources.

Finding No. 9: The District had not established procedures to ensure that VIP students and their parents are notified of the availability of computing resources and that qualified VIP students are provided computing resources.

Finding No. 9: Computing Resources

Recommendation: The District should establish procedures to ensure that VIP students and their parents are properly notified of the availability of computing resources and that qualified VIP students are provided these resources.

Response: The District currently reviews and discusses the availability of computing resources during the orientation phase of enrollment into the VIP program. The District also has the application for computer resources form available on its website. The District will develop additional methods to the website and Parent Link notification system to ensure that all parents and students are notified of the availability of computing resources for the VIP program to all students that qualify.

INFORMATION TECHNOLOGY

Finding No. 10: The District had not developed a comprehensive, written information technology (IT) risk assessment.

Finding No. 10: 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. As a first step in the process, the District will explore the feasibility of allocating resources and budget dollars necessary to draft a plan.

Finding No. 11: Some inappropriate IT access privileges existed.

Finding No. 11: Access Privileges

Recommendation: The District should ensure that access privileges assigned enforce an appropriate separation of IS and end-user responsibilities. In addition, the District should develop procedures for the periodic review of administrative access privileges.

Response: The District will reassess component role needs in relation to job responsibilities and assign only those identified as necessary for job productivity to the individual user profiles of the three persons noted. This action will be addressed after the PeopleSoft 9.2 upgrade completion so as not to put the software upgrade project at risk.

The District will extend the current review process by functional areas to include the roles of the Information Systems Department PeopleSoft Admins.

Finding No. 12: The District did not timely deactivate the network IT access privileges for some former employees.

Finding No. 12: Timely Deactivation of Access Privileges

Recommendation: The District should ensure that the network access privileges of former employees are timely deactivated.

Response: On April 13, 2014 the District implemented an automated process for deactivating former employees' network access privileges based on input of the termination date in the HR PeopleSoft application.

Finding No. 13: Certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement.

Finding No. 13: Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

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

Response: User Authentication – The District is in the process of implementing the IT Security Controls related to User Authentication as discussed on the July 28, 2014 conference call.

Data Loss Prevention – The District will explore the feasibility of allocating resources and budget dollars to address this recommendation, in conjunction with the IT Risk Assessment recommendation.

Logging and Monitoring of System Activity – The District is in the process of implementing a plan to monitor system activity. This action will be addressed after the PeopleSoft 9.2 upgrade completion so as not to put the upgrade at risk.

Finding No. 14: The District had not developed a written IT security incident response plan.

Finding No. 14: 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 an appropriate and timely manner to security incidents that may jeopardize the confidentiality, integrity, or availability of District data and IT resources.

Response: The District will explore the feasibility of allocating resources and budget dollars to address the development of a written IT Security Incident Response Plan, in conjunction with the IT Risk Assessment recommendation.