

SCHOOL BOARD OF SEMINOLE COUNTY, FLORIDA

MANAGEMENT LETTER

For The Year Ended June 30, 2010



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Chairman and Members of
The District School Board of Seminole County, Florida

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The District School Board of Seminole County, Florida (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 8, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on a Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards*, dated November 8, 2010. Disclosures in that report should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.800, Rules of the Auditor General, which govern the conduct of school board audits performed in the state of Florida. The suggestions included in this letter, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls. In addition, this report includes other disclosures required by the Rules of the Auditor General.

Section 10.804(1)(f)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial report. The status of recommendations made in prior year management letters have been addressed in the Status of Prior Year Observations, Recommendations and Management Responses (Appendix B).

Section 10.804(1)(f)2., Rules of the Auditor General requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of specific condition(s) met. In conjunction with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.804(1)(f)3., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

Section 10.804(1)(f)4., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In conjunction with our audit, we noted certain matters, as reported in Appendix A attached hereto.

Chairman and Members of
The District School Board of Seminole County, Florida

Section 10.804(1)(f)5., Rules of the Auditor General, requires that we address violations of provisions of contract or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In conjunction with our audit, we did not have any such findings.

Section 10.804(1)(f)6., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report on the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) control deficiencies that are not significant deficiencies. In conjunction with our audit, we noted certain matters, as reported in Appendix A attached hereto.

Pursuant to Sections 10.804(1)(f)7a. and 10.805(6), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by the same. The assessment was prepared as of fiscal year end.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the District's management, the School Board, Auditor General, State of Florida, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Moore Stephens Lovelace, P.A.

Certified Public Accountants

Orlando, Florida
November 8, 2010

APPENDIX A
DISTRICT SCHOOL BOARD OF SEMINOLE COUNTY, FLORIDA
Current Year Observations, Recommendations and Management Responses
June 30, 2010

2010-1 SAS 70 REPORTS FOR THIRD-PARTY ADMINISTRATORS

Observation: During our audit, we noted that the District did not receive an SAS 70 Type II report covering the effectiveness of internal controls of the third-party administrator (“TPA”) over one of its self-insurance programs. Sound internal controls over TPAs should take into consideration the effectiveness of the internal control system of the service providers used by the District. District policies and procedures do not require such assurances be performed in their selection process of TPAs. There is an increased risk that processing errors or omissions could occur that would not be detected in a timely manner. To mitigate this and other risks, the District reviews the check registers submitted by the TPAs for reimbursement on an annual periodic basis.

Recommendation: We recommend that the District consider developing a system to ensure applicable SAS 70 reports are obtained on all significant service providers. We recommend that such assurances be secured in the District’s selection process of TPAs.

Management Response: As noted in the observation, the District conducted a review of claims handled by its TPA. The school District is currently the only TPA client of this company (“FSBIT”). FSBIT also operates an insurance trust for 10 school districts within the State of Florida. According to discussions with FSBIT’s management and auditors, the school District’s claims were included in a review of the insurance trust by FSBIT’s contracted CPA firm.

Due to the cost of obtaining a formal SAS 70 audit, FSBIT has requested, instead, that their CPA firm expand their test of our claims and provide us with a statement as to the accuracy of the claims tested. Though not in accordance with all of the requirements of an SAS 70 audit, in our opinion, this expanded review will essentially provide the additional assurances that an SAS 70 audit is intended to provide. This CPA review will be in addition to the District’s annual review of claims.

2010-2 SYSTEM NEEDED TO MONITOR AND TRACK LEVEL 2 FBI SCREENINGS

Observation: During our audit, the results of testing payroll transactions revealed that three employees were not re-screened after five years, as required by Florida Statute, Sections 1012.56 and 1012.465, which establish the requirement for Level 2 re-screenings for instructional and non-instructional personnel, respectively. There is an increased risk that students could be endangered by employees not meeting the requirement. We understand that subsequent to our initial observation, the District obtained required re-screening of the employees in question.

Recommendation: We recommend that the District implement a system where it can keep track of all employee screenings and when they are due for re-screening.

Management Response: Contrary to the auditor’s comments, the District has in place a system that keeps track of all employee screenings and when they are due for re-screenings. When the fingerprinting of staff was initially required in law, there was a provision in the law that the Florida Department of Law Enforcement (“FDLE”) would develop an automated system to handle the re-screening of employees after five years. The FDLE has been late in developing such a system. Though not yet finalized, the FDLE is in the process of establishing a method to resubmit digital copies of the previously taken fingerprints to the Federal Bureau of Investigation (“FBI”). Seminole County Public Schools has been and is currently working in conjunction with the FDLE on an automated pilot program that will address the resubmission issue. Based upon the success of this pilot program, we are expecting to be able to resubmit fingerprints via the automated program for all employees who need the five-year check with the FBI in the very near future.

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**2010-3 INFORMATION TECHNOLOGY – SECURITY CONTROLS – USER PRIVILEGES,
GROUP POLICY AND ANTI-VIRUS MANAGEMENT**

Observation: Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to User Privileges, Group Policy Management, and AntiVirus Management 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, 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.

Recommendation: The District should improve its security controls related to User Privileges, Group Policy Management, and AntiVirus Management to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

Management Response: We are reviewing the security control recommendations and will implement security controls as needed.

2010-4 INFORMATION TECHNOLOGY – POLICIES AND PROCEDURES

Observation: Each IT function and program needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment. The District lacked written policies and/or procedures for the following IT functions:

- Information Security Administration Policy
- Routine monitoring of application and network security logs

Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations.

Recommendation: The District should establish written policies and procedures to document management's expectations for the performance of the above-listed IT functions and/or programs.

Management Response: We are currently developing a policies and procedures manual to address the areas noted by the auditors. This manual should be completed by the start of the 2011-12 fiscal year.

2010-5 INFORMATION TECHNOLOGY - BUSINESS CONTINUITY CONTROLS

Observation: Business continuity controls are intended to ensure continuous service to meet District business requirements, make certain IT services available, as required, and lessen the business impact in the event of a major disruption. Business continuity planning identifies and provides information on supporting resources needed and the roles and responsibilities of those involved in the recovery process, including user department personnel. We identified deficiencies in the District's business continuity controls. Specific details of these deficiencies are not disclosed in this report to avoid the possibility of compromising District information. However, appropriate District personnel have been notified of the deficiencies.

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2010-5 INFORMATION TECHNOLOGY - BUSINESS CONTINUITY CONTROLS (CONTINUED)

Recommendation: The District should enhance its business continuity controls.

Management Response: We are reviewing our business continuity plan to incorporate the suggestions provided by the auditors.

2010-6 INFORMATION TECHNOLOGY - OTHER SECURITY CONTROLS

Observation: Security controls are intended to protect the integrity, confidentiality, and availability of data and IT resources. During our audit, we identified certain security control deficiencies related to controls over the network, operating system, and database, in addition to the matters previously discussed in this report. Specific details of the security control deficiencies are not disclosed in this report to avoid the possibility of compromising the District's information and resources. However, appropriate District personnel have been notified of the deficiencies. Without adequate security control features in place, the risk is increased that the District's information resources may be subject to improper disclosure, destruction, modification, or undue disruption.

Recommendation: The District should implement stronger security controls to further protect the District's data and IT resources from misuse.

Management Response: We are reviewing the security control recommendations and will implement security controls as needed.

APPENDIX B
DISTRICT SCHOOL BOARD OF SEMINOLE COUNTY, FLORIDA
Status of Prior Year Observations, Recommendations and Management Responses
June 30, 2010

The following table summarizes the status of the prior year findings and management letter comments issued by the external auditor in fiscal year 2009:

	Corrective Action Not Yet Complete	Comment Has Been Addressed Or Is No Longer Relevant
2009-1	X	

Fiscal Year 2010 Update: Payroll system errors continued throughout fiscal year 2010. These problems continue to relate to salary/benefits account coding and leave-without-pay calculations for split-allocation employees. On a quarterly basis, Finance Department personnel run payroll reports by employee and project to determine if the appropriate allocation has been charged to each federal program. Errors greater than rounding differences are adjusted through journal entries. The District's Information Technology Department believes they have corrected this problem and, based on Finance Department personnel spot checks, it appears the problem has been fixed. However, the District will not know for sure until it performs the quarterly reconciliation of payroll allocations for the third quarter of 2010.