AUDITOR GENERAL

WILLIAM O. MONROE, CPA

MARION COUNTY DISTRICT SCHOOL BOARD

Operational Audit

For the Period July 1, 2004, through June 30, 2005

SUMMARY

This operational audit for the period July 1, 2004, through June 30, 2005, disclosed the following:

Finding No. 1: Improved budget amendment tracking procedures were needed to ensure the accuracy of budget amounts reported in the District's accounting records and financial statements.

Finding No. 2: The District should ensure employee position descriptions are revised at the time of reorganization for those positions affected by the reorganization.

Finding No. 3: The District should continue reviewing its procedures to ensure compliance with the requirements pertaining to security and confidentiality of electronic data.

Finding No. 4: There was no documentation detailing how program changes were evaluated and approved before being put into production; written procedures for emergency systems maintenance were not in place; and programmers were not restricted from moving program changes to production.

Finding No. 5: Improvements to the physical security, environmental, and operational controls as well as access controls pertaining to the District's information technology resources were needed. Weaknesses in information technology controls may impede the accomplishment of management's objectives pertaining to the District's information technology resources.

BACKGROUND

The 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 Marion County. The governing body of the Marion County District School Board is composed of five elected members. The Superintendent of Schools is the executive officer of the School Board. The Board members and the Superintendent who served during the audit period are listed in Appendix A.

During the audit period, the District operated 28 elementary schools, 8 middle schools, 8 high schools, a special school, and an adult/vocational education center. The District reported 40,637 unweighted full-time equivalent students. In addition to its primary responsibility of providing educational services to students in grades kindergarten through 12, the District provided post-secondary vocational training.

The results of our audit of the District's financial statements and Federal awards are presented in our report No. 2006-081.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Budget Amendment Tracking Procedures

The District's original budget for the 2004-05 fiscal year, totaling $387,930,054 for all funds, was approved

by the Board on September 14, 2004. For the 2004-05 fiscal year, a total of 221 budget amendments were presented to the Board for approval through September 13, 2005. These amendments increased the budget for all funds to $418,137,260. Budget amendments presented to and approved by the School Board provided the detail for only those accounts in which a change occurred. Accordingly, a budget amendment tracking system, when used effectively and properly balanced to the accounting records, would help to ensure the accuracy of budget amounts reported in the District's financial statements.

Budget amendments for the General Fund were tracked by finance office personnel on a spreadsheet; no such tracking was done for the other funds. Our examination of the spreadsheet used for tracking budget amendments of the General Fund disclosed six instances whereby budget amounts on the spreadsheet did not agree with corresponding amounts reported in the District's financial statements.

Our analysis of these differences disclosed that, except for an overstatement of $366,119 on the spreadsheet in the budgeted ending fund balance for the General Fund's original and final budgets, the differences were attributable to budget input errors in the accounting records. Since the budget amounts recorded in the accounting records were not balanced to the budget amendment tracking schedule, some budget amounts reported in the financial statements were incorrect.

Although none of these differences were material to the District's financial statements, they emphasize the need for improved budget amendment tracking procedures whereby schedules produced from the budget tracking system should be balanced to the accounting records and serve as the basis for budget amounts reported in the financial statements. In response to our inquiry, District management informed us that action will be taken to enhance existing procedures to include a comparison of the General Fund budget, as amended, for all functions and major objects with the corresponding amounts recorded in the accounting records. Such procedures will also be applied to the Special Revenue Funds in the 2005-06 fiscal year.

Recommendation: The District should continue its efforts to improve its budget amendment tracking procedures to ensure the accuracy of budget amounts reported in the District's accounting records and financial statements.

Finding No. 2: Changes in Organizational Structure

On March 1, 2005, the District reorganized positions within Business Services following the resignation of its Executive Director of Finance. Accordingly, job responsibilities, as well as educational and prior work experience requirements, changed for some positions affected by the reorganization; however, job responsibilities and minimum training and experience in the District's position descriptions were not revised for the affected positions until August 2005.

If position descriptions affected by reorganization are not revised when the reorganization occurs, employees may be moved to fill positions with revised responsibilities contemplated in the reorganization for which they may not meet minimum qualifications described in the revised position descriptions. For example, a staff member who was moved to another key position in Business Services met the requirements for the position description that was in effect when the reorganization occurred, but does not meet the minimum educational experience requirement of the subsequently revised position description.

Recommendation: The District should ensure employee position descriptions are revised at the time of reorganization for those positions affected by the reorganization.

Finding No. 3: Information Technology - Control Environment

A steering committee oversees information technology (IT) functions and activities, using short- and long-term IT plans as benchmarks to monitor the progress of IT projects. Steering committee

membership should include representatives from management, both inside and outside the IT function, including the users of the various IT applications. The lack of a steering committee could result in the IT function not meeting the mission and goals approved by the District's Board.

Additionally, the District should be aware of legal or procedural changes that may affect the security and confidentiality of certain electronic data. There are currently numerous Federal regulations pertaining to the protection of personal and financial data that is electronically processed and stored. For example, the *Health Insurance Portability and Accountability Act* (HIPAA) includes provisions that protect the privacy of personal health information and has specific requirements for the security of information technology systems containing this data.

In response to our inquiry, District management informed us that a steering committee composed of 11 administrators was formed in February 2006. As of April 2006, District management was reviewing its procedures to ensure compliance with the requirements pertaining to the security and confidentiality of certain electronic data.

Recommendation: The District should continue reviewing its procedures to ensure compliance with the requirements pertaining to security and confidentiality of electronic data.

Finding No. 4: Information Technology - Systems Development and Maintenance

At the completion, in August 2005, of our initial review of the District's information technology control procedures, we noted the following:

- There was no systems development documentation of user involvement in the deployment of new systems.
- Formal emergency programming change procedures were not maintained for systems maintenance, with documentation of special review of these processes.
- Records to demonstrate testing and acceptance of programming changes and new development projects were not maintained.
- The moving of program changes to production was not performed by personnel other than the programmer(s) responsible for making the program modifications or development of the program(s).
- There was no documentation detailing how projects were evaluated and approved prior to being started.

In March 2006, District management informed us that there was no documentation detailing how program changes were evaluated and approved prior to being put into production; however, written procedures for emergency systems maintenance, although not currently in place, will be developed during the 2006-07 fiscal year. We were also informed that a change management system was implemented in February 2006 for any system requiring maintenance and that all changes, testing, upgrading, and approvals will be logged using this change management system. However, District management indicated that, based on current staffing levels to support daily operations, it would be difficult to justify, from a budget perspective, the creation of a Development Team to restrict programmers from moving program changes to production.

Recommendation: The District should continue its efforts to improve Systems Development and Maintenance procedures.

Finding No. 5: Information Technology – Other Controls Over Information Technology Resources

Improvements to the physical security, environmental, and operational controls as well as access controls pertaining to the District's information technology resources are needed. Specific details of the purpose and importance of these controls and the reasons improvements are needed have been communicated to management, but are not being disclosed in this report to avoid the possibility of compromising the District's security over its information technology resources. Weaknesses in information technology controls result

in an increased risk that management's objectives pertaining to the District's information technology resources may not be accomplished.

Recommendation: The District should make the needed improvements to information technology controls to facilitate the accomplishment of management's objectives pertaining to the District's information technology resources.

PRIOR AUDIT FINDINGS

Our previous audits have addressed the administration of selected management controls. As part of our current audit, we determined that the District had substantially corrected the deficiencies noted in our report No. 03-091.

OBJECTIVES, SCOPE, AND METHODOLOGY

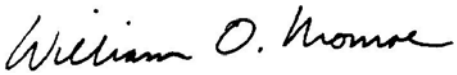
The objectives of this operational audit were to determine whether District management controls promoted and encouraged: 1) compliance with applicable laws, administrative rules, and other guidelines; 2) the economic, effective, and efficient operation of the District; 3) the reliability of records and reports; and 4) the safeguarding of District assets.

Specifically, our review included management controls related to amending the budget; banking and energy services agreements; competitive procurement; compliance with public deposit collateral reporting requirements; changes in the District's organizational structure; equipment donations and disposals; fingerprinting and background checks; food service collections; controls over information technology resources; adequacy of insurance coverage; land acquisitions; reporting of facilities acquisition and construction expenditures; and refunding of long-term debt.

We conducted this audit in accordance with applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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.



William O. Monroe, CPA
Auditor General

MANAGEMENT RESPONSE

In accordance with the provisions of Section 11.45(4)(d), Florida Statutes, a list of audit findings and recommendations was submitted to members of the Marion County District School Board and the Superintendent. The Superintendent's written response to the audit findings and recommendations is included in Appendix B.

This audit was conducted by Marc J. Wilson, CPA, and supervised by Philip B. Ciano, CPA. Please address inquiries regarding this report to David W. Martin, CPA, Audit Manager, via e-mail at davidmartin@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site (http://www.state.fl.us/audgen); by telephone (850 487-9024); or by mail (G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450).

APPENDIX A
MARION COUNTY DISTRICT SCHOOL BOARD

Marion County District School Board members and the Superintendent of Schools who served during the 2004-05 fiscal year are shown in the following tabulation:

	District No.
Cheryl Appelquist to 11-15-04	*1*
Judith Zanetti from 11-16-04	*1*
Steven B. Hering	*2*
Kurt D. Kelly, Chair to 11-15-04	*3*
Sue M. Mosley, Chair from 11-16-04, Vice-Chair to 11-15-04	*4*
Ronald B. Crawford, Vice-Chair from 11-16-04	*5*

James M. Yancey, Jr., Superintendent

APPENDIX B
MANAGEMENT RESPONSE

512 SE Third Street • PO Box 670 • Ocala FL 34478-0670
(352) 671-7700 • Fax (352) 671-7788
www.marion.k12.fl.us
F R S (800) 955-8770 (voice) • (800) 955-8771 (TTY)

June 5, 2006

Superintendent
Mr. James M. Yancey, Jr.

District I
Mrs. Judith Zanetti
2927 SE 22nd Ave.
Ocala FL 34471

District II
Mr. Steven Hering
13700 SE 45th Court
Summerfield FL 34491

District III
Mr. Kurt D. Kelly
1902 SW 27th Street
Ocala FL 34474

District IV
Mrs. Sue Mosley
5184 SE 20th Street
Ocala FL 34471

District V
Mr. Ronald B. Crawford
PO Box 787
McIntosh FL 32664

Mr. William O. Monroe, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

SUBJECT: Responses to Preliminary and Tentative Audit Findings of the Marion County District School Board Operational Audit for the Period July 1, 2004 through June 30, 2005

Dear Mr. Monroe:

The District has reviewed the preliminary and tentative audit findings for the Operational Audit for the period July 1, 2004 through June 30, 2005 and has issued the following response:

Finding No. 1: Improved budget amendment tracking procedures were needed to ensure the accuracy of budget amounts reported in the District's accounting records and financial statements.

District Response: The Finance department has enhanced the current budget amendment tracking procedures to include a comparison of the General Fund budget, as amended, for all functions and major objects with the corresponding amounts recorded in the accounting records. These procedures will also be applied to the Special Revenue fund.

Finding No. 2: The District should ensure employee position descriptions are revised at the time of reorganization for those positions affected by the reorganization.

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- Equal Opportunity Schools -

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

District Response: The job descriptions for the Business Services area that were approved in August 2005 were the result of the District's routine job description review, following the organizational structure changes from the staffing plan, not as a result of the resignation of the Executive Director of Finance.

At the time of the reorganization of the Business Services Department, all personnel met the current board approved job descriptions for the position that they were assigned to. The placement of specific employees in the positions was to ensure continued compliance with laws and regulations that the board must comply with. In addition, they were chosen because they collectively possessed the adequate professional competence for the jobs required.

As any effective organization would do, job descriptions are reviewed periodically with appropriate changes made to duties and responsibilities, reporting requirements, experience requirements and education requirements. This is evidenced by the forty-two job descriptions approved in 2004-2005 and the thirty-two job descriptions approved in 2005-2006.

The change to the job description that is being questioned was made to create similarity with other job descriptions in the Business Services Department. The term "and" instead of "and/or" was simply a routine change that was approved by the Board on August 5, 2005. This change was made to meet the needs of the school system in the future. This type of change could certainly cause a current employee to not meet the requirements of a revised job description. However, in any organization, especially the size of Marion County Public Schools, you will find long-term employees, because of their length of experience and extent of their knowledge, to be retained in a position after a job description is revised.

The District continually strives to maintain current job descriptions, despite the lengthy process required to update them and to hire the most qualified and experienced personnel for the positions.

Finding No. 3: The District should continue reviewing its procedures to ensure compliance with the requirements pertaining to security and confidentiality of electronic data.

District Response: The Technology and Information Systems Department will continue to review its procedures to ensure compliance with the requirements pertaining to security and confidentiality of electronic data.

APPENDIX B
MANAGEMENT RESPONSE (CONTINUED)

Finding No. 4: There is no documentation detailing how program changes were evaluated and approved before being put into production; written procedures for emergency systems maintenance were not in place; and programmers were not restricted from moving program changes to production.

District Response: Emergency Systems Maintenance procedures will utilize the change management process developed in February 2006. Emergency Systems maintenance will be logged and approved via the change management system. A detailed log can be generated and reviewed. Written procedures/guidelines will be developed in 2006-2007. In reference to the "creation of a development team" and the ability to justify the costs associated with this recommendation, Auditor Marc Wilson requested further input from the IT Auditor team and received the following response as indicated in the exit interview with MCPS District Personnel.

It is not uncommon for districts the size of Marion County to respond as indicated. Larger school districts generally have development teams and school districts like Marion generally do not have a team or individuals classified as specifically development personnel. MCPS will continue to ensure quality based development and moves into production tested by qualified personnel.

Finding No. 5: Improvements to the physical security, environment, and operational controls as well as access controls pertaining to the District's information technology resources were needed. Weaknesses in information technology controls may impede the accomplishment of management's objectives pertaining to the District's information technology resources.

District Response: As indicated the Technology and Information Systems department will continue to make improvements to information technology controls to facilitate the accomplishment of management's objectives pertaining to the district's information technology resources.

Sincerely,

Mr. James M. Yancey, Jr.
Superintendent
Marion County Public Schools