REPORT NO. 2012-036
NOVEMBER 2011

INDIAN RIVER COUNTY

DISTRICT SCHOOL BOARD

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Karen Disney-Brombach, Chair to 11-15-10	1
Matthew McCain, Vice Chair to 11-15-10, Chair from 11-16-10	2
Carol Johnson, Vice Chair from 11-16-10	3
Claudia Jiménez	4
Debbie MacKay to 11-15-10	5
Jeffrey Pegler from 11-16-10	5

Dr. Harry J. La Cava, Superintendent to 6-27-11
Dr. Frances J. Adams, Superintendent from 6-28-11

The audit team leader was Clare Waters, CPA, and the audit was supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

INDIAN RIVER COUNTY

District School Board

SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: District records did not sufficiently evidence that performance assessments of instructional personnel and school administrators included consideration of student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

Finding No. 2: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is 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).

SAFETY AND SECURITY

Finding No. 3: The District needed to enhance its procedures for timely obtaining background screening and fingerprints for District personnel who have direct contact with students.

Finding No. 4: The District did not maintain complete, well-documented procedures to establish the duties and responsibilities of Maintenance Department personnel in properly monitoring and completing projects, complying with applicable building and life safety codes, and tracking facility and equipment warranties.

CASH CONTROLS

Finding No. 5: Controls over electronic funds transfers could be enhanced.

INFORMATION TECHNOLOGY

Finding No. 6: The District's management of information technology (IT) access privileges needed improvement.

Finding No. 7: Improvements were needed in the IT change management process as the District did not restrict programmers from updating production programs and data.

Finding No. 8: The District's IT security controls related to user authentication, logging, and monitoring needed improvement.

Finding No. 9: The District needed to enhance its procedures to ensure timely removal of IT access privileges for former employees.

Finding No. 10: The District did not have a written security incident response plan.

BACKGROUND

The Indian River 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 Indian River County. The governing body of the District is the Indian River County District School Board (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 25 elementary, middle, high, and specialized schools; sponsored 5 charter schools; and reported 17,561 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, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Personnel and Payroll

Finding No. 1: Performance Assessments

Section 1012.34(3), Florida Statutes (2010),[1] 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 generally established performance assessment procedures for instructional personnel and school administrators based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes (2010). Instructional personnel typically maintained records, in consultation with their school principal or administrator, to establish specific goals addressing the improvement of student performance based on FCAT scores and other standardized tests. Also, instructional personnel met periodically with their school administrator throughout the school year to assess the progress in meeting the projected goals. However, improvements needed to be made over the performance assessment process as follows:

- For annual contract instructional personnel, District records did not evidence the impact of student performance on the performance assessments and the performance assessments did not address the employee's ability to use technology in the classroom.
- Performance assessments of continuing contract instructional personnel and school administrators listed student performance as a component of the assessment; however, the performance assessments did not sufficiently evidence a correlation between student performance and the employee performance assessments nor that the employees were evaluated based primarily on student performance. For example, the instructional personnel evaluation form did not provide a numeric or percentage indicator to show that student achievement, as evidenced by FCAT scores or other student tests, was the primary contributing

[1] 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.

factor used to evaluate employee performance. In addition, to be classified as highly effective, school administrators must be ranked highly effective in at least 80 percent of each of three categories, one of which was student performance; however, the assessments did not correlate student achievement, as evidenced by FCAT scores or other student tests, to evidence the extent that test scores impacted the student performance category or how administrator performance assessments were based primarily on student performance.

According to District personnel, the above exceptions occurred because the District used evaluation forms, designed before the statutorily required process, and revisions to performance assessments were delayed 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. Without measuring employee performance by the required criteria, performance assessments of annual contract instructional personnel may not effectively communicate the employee's accomplishments or shortcomings. A similar finding was noted in our audit report No. 2011-055.

Recommendation: The District should continue its efforts to ensure its performance assessment procedures for instructional personnel and school administrators include consideration of student performance and use of technology in the classroom as required.

Finding No. 2: Compensation and Salary Schedules

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),[2] 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 to ensure that a portion of each instructional employee's compensation was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010). 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

[2] 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 on performance. The instructional personnel salary schedule and union contracts provided that instructors employed on a continuing contract basis, and rated exemplary on their performance assessments, would receive a bonus of 5 percent of their compensation. Of the 1,340 instructors, the District paid 697 continuing contract instructors a total of approximately $1.7 million for these bonuses. While the performance of continuing contract instructors impacted their compensation, District records did not evidence that instructional employees who were not on a continuing contract had a portion of their compensation based on performance.

  The 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 and drama coaches and department chairpersons. Also, the salary schedule provided an additional $2,000 for instructional personnel at Title I schools based on school demographics. However, neither the salary schedule nor the union contracts evidenced differentiated pay based on level of job performance difficulties and critical shortage areas for instructional personnel, contrary to Section 1012.22(1)(c)4., Florida Statutes (2010).

- **School-based Administrators**. District personnel indicated that the school-based administrators' salary schedule included 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 was based on performance, and sufficiently identifying the basis for the differentiated pay, the District may have been 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. A similar finding was noted in our audit report No. 2011-055.

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.

Safety and Security

Finding No. 3: Fingerprinting Requirements

The District needed to enhance its procedures for timely obtaining fingerprints and background screenings for instructional and noninstructional personnel that have direct contact with students. Sections 1012.56(10), and 1012.465, Florida Statutes, require that instructional personnel renewing their teaching certificates and noninstructional personnel undergo required background screenings every five years following the initial screening upon employment.

At the beginning of the 2010-11 school year, the fingerprint specialist reviewed an alphabetized list showing the fingerprint status of each employee, and mailed letters to substitute teachers and e-mailed full-time employees identified for rescreening. Because the list did not consistently reflect employee rescreening dates (i.e., some dates recorded in year/month/day format and others in month/day/year format), identification of all who needed rescreening was difficult and several were not notified.

Using the District's records, we created a computer file indicating the fingerprint status of each employee in month/day/year format and noted that, as of June 30, 2011, 178 instructional and 148 noninstructional personnel, or a total of 326 of approximately 2,700 personnel were not rescreened within the past five years, including 56 employees whose rescreening was more than a year late. Similar findings were noted in our report Nos. 2010-075 and 2011-055.

Recommendation: The District should continue its efforts to ensure that instructional and noninstructional personnel obtain the required background screenings every five years.

Finding No. 4: Maintenance Department

During the 2010-11 fiscal year, the Maintenance Department (Department) employed 52 full-time maintenance staff to provide maintenance services to the District's 25 schools, and administrative and support sites. Expenditures for the Department totaled approximately $2.6 million for the 2010-11 fiscal year.

The Florida Department of Education's Office of Educational Facilities provides guidance for maintenance operations in a publication titled *Maintenance and Operations Administrative Guidelines for School Districts and Community Colleges*, as presented on its Web site (http://www.fldoe.org/edfacil/manoguid.asp). This publication provides general directives relating to work control methods, maintenance staff training, reasons for considering contracted services, and other standard operating procedures. In addition, the *State Requirements for Educational Facilities* (SREF), Chapter 4.3(1)(e), provides that an annual maintenance permit should name the entity that will perform all required inspections and explain how each project is going to be documented and tracked for code compliance.

The Department had a two-page narrative giving broad guidance for maintenance operations; however, the Department lacked complete, well-documented policies and procedures to describe the scope of its functions and activities. Specifically, the two-page narrative did not establish:

- A consistent and documented methodology to initiate, receive, process, and effectively respond to work order requests, including the anticipated time and date to commence requested work, cost, and date for completion of necessary maintenance and repairs. In addition, the narrative did not evidence the process to ensure the timely training of Department staff. Without well-written procedures, there is an increased risk that necessary facility repairs will not be performed in an efficient manner.
- The process for determining which maintenance projects would be subject to inspections by Department staff, other District staff, or independent contractors to ensure compliance with building and life safety codes pursuant to Section 1013.38, Florida Statutes, and Chapter 4.3(1)(e) of SREF. Although review of District 2010-11 fiscal year work orders did not disclose any maintenance projects that required inspections, without written procedures establishing guidelines for determining which maintenance projects require inspections and which District personnel are responsible for making the inspections, there is an increased risk that repairs may not comply with building or life safety codes.
- Written procedures for tracking warranties. The Department generally did not maintain copies of warranty documents for tracking warranties and providing for warranted repairs after the expiration of the one-year builder's warranty period. As of September 2011, the Department had not obtained warranties for projects completed during 2006, such as the New Liberty Magnet School, costing $11.8 million; Gifford Middle

School Gymnasium, costing $4.2 million; and projects completed during 2007, such as the Vero Beach High School Phase I and II for $15.5 million and $26.5 million, respectively. In addition, District records did not evidence copies of warranty documents for projects completed during the 2009-10 fiscal year, such as the Storm Grove Middle School, costing $47.6 million. Without written procedures for tracking warranties, the District faces an increased risk of paying for repairs that may be covered by either the contractor's or manufacturer's warranty.

Department personnel indicated that they plan to draft a procedures manual using District personnel and consultants. Similar findings were noted in our report Nos. 2010-075 and 2011-055.

Recommendation: The District should continue its efforts to enhance the effectiveness of the Department by developing and adopting complete and well-documented procedures. Such procedures should establish the duties and responsibilities of personnel in properly monitoring and completing maintenance projects, complying with applicable building and life safety codes, and tracking warranties of completed projects.

Cash Controls

Finding No. 5: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires the Board to adopt written policies prescribing the accounting and control procedures for electronic funds 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 superintendent previously established an agreement with a bank, identifying two finance department employees as EFT system administrators. Both system administrators are required to electronically authorize changes to EFT information, such as the employee identified to initiate an EFT and the employee identified to authorize an EFT. Additionally, the bank only performs EFTs that are initiated by an employee who is not the same as the employee 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 for EFTs, contrary to Section 1010.11, Florida Statutes. Also, District personnel provided a Board-approved request for proposal for banking services, identifying the bank that the District used for EFTs; however, the bank agreement did not identify the employees approved to initiate and authorize EFTs, contrary to SBE Rule 6A-1.0012, FAC. Upon our request, District personnel provided bank wire transfer correspondence or confirmed to us that the initiator and authorizer of tested EFT transactions were not the

same employees; however, neither of the employees initially executed signed confirmations to authorize the EFTs, contrary to SBE Rule 6A-1.0012, FAC.

District personnel indicated that efforts are underway to ensure that copies of the bank agreement are maintained at the District and 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.

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.

Information Technology

Finding No. 6: 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. 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 finance and human resources applications, and the supporting operating system to determine the appropriateness of access privileges. Our review disclosed that, although end-user departments performed reviews to verify that employees were still active, assigned to the appropriate cost centers, and assigned appropriate profiles, some inappropriate or unnecessary access privileges existed because the department reviews did not include consideration of the employee's duties. The existence of inappropriate or unnecessary access privileges indicated a need for improved District review of access privileges. Specifically:

- Ten Information Services Department employees had excessive access privileges within the finance and human resources (HR) applications, although these privileges should generally be limited to the finance and HR department employees. Seven of the ten employees could update the capabilities of other users, create and maintain vendor information, and update purchase orders, while three employees had access allowing update capability to virtually all functions within the applications, including the ability to update accounts payable and payroll data. In response to our inquiry, in August 2011, District personnel removed these excessive access privileges.
- The District assigned ten employees from various business departments (e.g., finance, HR, etc.) excessive access privileges that allowed update access to vendor information, although updating such information should generally be limited to purchasing department employees. In response to our inquiry, in August 2011, District personnel removed the excessive access privileges for five of the employees, but continued to allow the five finance department employees this access because they were responsible for changing vendor remittance addresses.

Although the District had controls in place (e.g., management review of change or edit reports and budgetary restrictions) to mitigate some of the risks of the control deficiencies noted above, inappropriate or unnecessary access

privileges increase the risk that unauthorized disclosure, modification, or destruction of data and IT resources may occur without timely detection. A similar finding was noted in our report No. 2011-055.

Recommendation: The District should be more restrictive in the granting of access privileges to ensure that access privileges are compatible with assigned job responsibilities and promote appropriate separation of duties. Additionally, the District should improve its review of the appropriateness of access privileges and timely remove or adjust any inappropriate access detected.

Finding No. 7: Program Change Management Process

Effective controls over changes to application programs and systems are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Change controls that are typically employed to ensure the continued integrity of application programs and systems include providing written evidence of the program change process, performing independent testing and approval of program changes, separating the responsibility for moving approved changes into the production environment from employees who developed the changes, and restricting programmers from accessing or updating production data.

The District had a written program change management process that provided for, among other things, program changes to be reviewed, tested, and moved to production by someone independent of the programmer who coded the changes. However, the District's practice was to subject only complex changes to independent review, testing, and movement to production, while other changes were tested and moved to production by the programmer who modified programs. District personnel indicated that, due to the limited number of staff, the programmer who modified programs was allowed to test and move uncomplicated changes to production; however, under these conditions, the risk is increased that unauthorized or erroneous programs, including changes or patches, could be moved into the production environment without timely detection. According to District personnel, the IT Department is undergoing a reorganization, including creation of a systems administrator position responsible for reviewing the change management processes and implementing new procedures to ensure that changes moved into production are properly tested and reviewed. Similar findings were noted in our report Nos. 2010-075 and 2011-055.

Recommendation: The District should continue its efforts to ensure that all program changes are independently reviewed, tested, and moved into the production environment consistent with its written program change management process.

Finding No. 8: Security Controls - User Authentication, Logging, and Monitoring

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, logging, and monitoring 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 authorization, logging, and monitoring, 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. A similar finding was noted in our report No. 2011-055.

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

Finding No. 9: Timely Removal of Access Privileges

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

The District provides employee logon to District computers, e-mail, and other information using network accounts, and employees have access to computer operating systems, which enable them to run application programs on District computers. The District developed a program that scans the HR system for employment termination dates and automatically removes network account access privileges of former employees. Also, this program produced a report that was used by the Instructional and Information Technology Department to manually remove operating system and application access privileges from terminated employees. However, our test of 272 former employees who terminated employment disclosed improvements were needed to timely remove access privileges of former employees. Specifically:

- Twenty-seven former employees, who terminated employment during the 2010-11 fiscal year, had network accounts for 64 to 393 days after their termination dates. Additionally, two employees who terminated during the 2009-10 fiscal year still had network accounts for 739 and 750 days, respectively, after their termination.
- Four former employees, who terminated employment during the 2010-11 fiscal year, had active operating system and application program access for 63 to 135 days after the employees' termination dates.

In response to our inquiries, in August and September 2011, District personnel removed the access privileges for the 33 former employees discussed above. District personnel indicated that termination reports occasionally did not list employees who terminated, which was the main cause for untimely termination of the employee access privileges, and attempts are being made to determine the reason for the reporting errors. Without timely removal of former employees' access privileges, the risk is increased that access privileges could be misused by former employees or others. Similar findings were noted in our report Nos. 2010-075 and 2011-055.

Recommendation: The District should continue its efforts to ensure timely removal of access privileges for former employees.

Finding No. 10: Security Incident Response Plan

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, provision for designated staff to be trained in incident response, and notification of affected parties.

District personnel indicated that since the District had not experienced any network security violations, the District had not developed a written security incident response plan. However, 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 and timely actions to prevent further loss or damage to the District's data and IT resources.

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.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2011-055.

OBJECTIVES, SCOPE, AND METHODOLOGY

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 May 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. 2011-055. 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.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Security awareness and training program regarding the confidentiality of information.	Examined supporting documentation to determine the adequacy of the District's information technology (IT) security awareness and training program.
Procedures to timely prohibit terminated employees' access to electronic data files.	Tested employees who terminated during the audit period and examined supporting documentation evidencing when the District terminated access privileges.
IT change management control procedures.	Reviewed the adequacy of change management methodology for IT production program and data changes.
IT authentication controls.	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges.	Reviewed selected IT access privileges to determine whether access privileges were appropriately granted.
IT audit logging and monitoring.	Reviewed the adequacy of IT audit logging and monitoring controls to determine whether such controls were configured in accordance with IT best practices.
IT security incident response.	Reviewed written policies and procedures, plans, and forms related to security incident response and reporting.
Financial condition.	Applied analytical procedures to determine whether the General Fund unassigned and assigned fund balance at June 30, 2011, was less than the percents of the fund's revenues 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 and supporting documentation to determine compliance with Section 218.415, Florida Statutes.
Restrictions on use of nonvoted capital outlay tax levy proceeds.	Applied analytical procedures, tested payments made from nonvoted capital outlay tax levy proceeds, and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay proceeds.
Restrictions on use of 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.
Fingerprinting and background checks for personnel that had direct contact with students.	Tested District records for individuals who had direct contact with students and examined supporting documentation to determine whether the District had obtained required fingerprint and background checks for the individuals included in our test.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
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.
Insuring architects and construction contractors.	Tested major construction projects in progress during the audit period to determine whether architects and construction contractors had evidence of required insurance.
Maintenance Department procedures.	Reviewed adequacy of Maintenance Department operating procedures, including work order system and procedures for inspecting maintenance projects and tracking warranties.
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.

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EXHIBIT B
MANAGEMENT'S RESPONSE

School District of Indian River County

1990 25th Street ● Vero Beach, Florida 32960-3395 - Telephone: 772-564-3000 ● Fax: 772-569-0424

Frances J. Adams, Ed.D.
Superintendent

November 27, 2011

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

Dear Mr. Martin:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Indian River County as a result of the audit for the fiscal year ended June 30, 2011. The following are the responses as submitted by the appropriate staff.

Finding No. 1:
Performance Assessments and Compensation

The District concurs with the auditor's position that annual performance assessment (in current statute referred to as evaluation) procedures for instructional personnel and school administrators need to be developed using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT) based on the criterion established in section 1012.34(3) Florida Statutes. The District and the Indian River County Education Association (Teacher's Union) are currently in the process of negotiating the assessment (evaluation) system for instructional personnel in order to meet all of the requirements of the statute. This process is an integral component of the District's participation in the Race to the Top federal grant application. The redesigned assessment (evaluation) instrument being developed is based on the state model (Marzano) and for this year proposes to have forty percent (40%) of the assessment (evaluation) tied directly to student performance, with the remaining sixty percent (60%) tied to instructional practice based on the Marzano Protocols. These Protocols encompass all aspects of instruction and include the use of available technology as an instructional tool.

"Educate and inspire every student to be successful"

Karen Disney-Brombach District 1 ● Matthew McCain District 2 ● Carol Johnson District 3 ● Claudia Jiménez District 4 ● Jeffrey Pegler District 5

"To serve all students with excellence"
Equal Opportunity Educator and Employer

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 2:
Compensation and Salary Schedules

The District concurs with the auditor's finding that there are no formal Board policies or procedures which ensure that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)(2) and differentiated pay pursuant to section 1012.22(1)(c)(4) is not identified on salary schedules.

As indicated in our response to Finding No.1., the District is in the process of negotiating with our Teacher's Union procedures that will ensure that a portion of each instructional employee's compensation is based on student performance. In addition, salary schedules will be adopted that delineate pay based on student performance and differentiated pay for both instructional personnel and school based administrators, consistent with state statute.

Finding No. 3:
Fingerprinting Requirements

The District concurs with the auditor's finding and as noted the finding is largely due to the oversight that resulted in the exclusion of some personnel that are subject to the screening procedures. Subsequent to this being brought to our attention, we have notified all applicable staff and substitutes that they are required to be rescreened pursuant to section 1012.56(10) and 1012.465, Florida Statutes. Efforts are underway to ensure that instructional and non-instructional personnel obtain the required background screenings every five years.

Finding No. 4:
Maintenance Department

The District concurs with this finding and had contracted with a consultant during the 2010-11 fiscal year to assist staff in the design and creation of a comprehensive procedures manual for the Maintenance Department which will define the roles and responsibilities of all maintenance personnel. The manual will also document procedures that are currently in place to properly monitor and track projects, procedures for tracking warranties, track the progress of all work orders, as well as a procedure that determines which maintenance projects will be required to have follow up inspections by the Building Department for compliance with building and life safety codes. However, as of June 30, 2011 the manual was incomplete and it is anticipated that the manual will be completed within the next fiscal year.

Finding No. 5:

Electronic Funds Transfer:

The District concurs with this finding and has taken appropriate steps to ensure that copies of our banking agreement are maintained at the District and that controls are properly in place such as a separation of initiator and authorizer of EFT's and management review of EFT transactions as a compensating control measure.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 6:
Access Privileges

- The District concurs with the auditor's finding and as noted the referenced District personnel had their excessive access privileges removed from their operating accounts.
- Upon our review it was determined that five of these ten identified employees require access to change remittance addresses on payments as dictated by the vendor's invoice, change employee remittance addresses for wage garnishments, etc. In addition, compensating controls exist to the vendor system whereby these employees do not have access to create vendor records as vendors are required to fill out an application and be approved and established by the Purchasing Department. However, in the interest of increased accountability we accept the auditor's recommendation to create edit reports for tracking changes to the vendor screen.

Finding No. 7:
Program Change Management Process

The District concurs with the auditor's finding for a programmer separation between the change development phase and testing / implementation phases with regard to application changes in the production environment. The District's Information Technology Department (IT) has recently undergone a reorganization of staff and associated job duties, established a Systems Administrator position, whose responsibilities include a review of all program changes prior to implementation into the production system.

Finding No. 8:
Security Controls – User Authentication, Logging and Monitoring

The District concurs with the auditor's finding in this area. However, due to the confidential nature of this finding we will take the appropriate steps to ensure that all remaining issues pertaining to this finding are addressed in a timely manner and with the appropriate response.

Finding No. 9:
Timely Removal of Access Privileges

The District concurs with the auditor's finding in this area and is in the process of correcting the computer program that identifies terminated employees and removes their access privileges. Based on this finding we will be taking the appropriate steps to improve our processes to increase the timeliness of removing system access for terminated employees.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 10:
Security Incident Response Plan

The District concurs with the auditors finding in this area and has established an Incident Response Team. This team is now in the process of gathering all relevant information, collaborating with other school districts and appropriate external resources in the development of a Security Incident Response Plan for the District.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office if you have any questions concerning this matter.

Sincerely,

Frances J. Adams, Ed.D.
Superintendent

Cc: School Board Members
Superintendent's Leadership Council