REPORT NO. 2012-037
DECEMBER 2011

ESCAMBIA COUNTY

DISTRICT SCHOOL BOARD

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Jeff Bergosh, Vice Chair to 11-15-10	1
Gerald Boone, Chair	2
Linda Moultrie	3
Patty Hightower	4
Bill Slayton, Vice Chair from 11-16-10	5

Malcolm Thomas, Superintendent

The audit team leader was Kenneth C. Danley, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. For the information technology portion of this audit, the audit team leader was Stephanie J. Hogg, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us 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.

ESCAMBIA COUNTY

District School Board

SUMMARY

PERSONNEL AND PAYROLL

Finding No. 1: District records did not sufficiently evidence that performance assessments of instructional personnel were based primarily on 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 was based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).

SAFETY AND SECURITY

Finding No. 3: The District did not timely obtain the required background screenings for certain District employees and a noninstructional contractor.

CONFIDENTIAL INFORMATION

Finding No. 4: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

INSURANCE

Finding No. 5: The net assets of the District's group health self-insurance plan have declined by $11.6 million over the last three fiscal years. At June 30, 2011, the net assets available to pay claims was $4.3 million, representing approximately 1.4 months average claims experience, and was below the District's target net asset balance of 3 months.

ADULT GENERAL EDUCATION

Finding No. 6: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

CASH COLLECTIONS

Finding No. 7: District records did not evidence that independent reconciliations of child care fee collections and deposits with projected fee collections based on attendance records and approved fee rates were performed.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 8: Controls over facilities construction and maintenance activities could be enhanced.

INFORMATION TECHNOLOGY

Finding No. 9: Several employees had inappropriate or unnecessary information technology (IT) access privileges.

Finding No. 10: The District's IT security controls related to user authentication needed improvement.

Finding No. 11: Several District employees had the ability to create or modify application programs and move the programs into the production environment, contrary to an appropriate separation of program change duties.

Finding No. 12: The District did not have a written security incident response plan.

Finding No. 13: The District did not require all applicable employees to participate in its security awareness training program.

BACKGROUND

The Escambia 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 Escambia County. The governing body of the District is the Escambia County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board.

During the 2010-11 fiscal year, the District operated 63 elementary, middle, high, and specialized schools and other programs; sponsored 7 charter schools; and reported 39,658 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 separate reports.

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). For example, District records were provided to evidence that performance assessments of school administrators were based primarily (i.e., 60 percent) on student performance. In addition, District personnel provided us with various performance assessment documents for instructional employees, including guidance for teacher appraisals. The guidance provided

[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.

that teacher appraisals must be based on the performance of students in the teacher's classroom, and required that the percentage of students showing improvement as measured by State-approved assessment criteria be recorded on the appraisal form to document improved student achievement. Further, District personnel indicated that student performance was the primary consideration in the performance assessment of instructional employees. However, District records for instructional personnel did not sufficiently evidence a correlation between student performance and the employee's performance assessments, and records did not demonstrate that student performance was the primary factor for the overall evaluation rating. For example, the instructional personnel appraisal form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance.

District personnel indicated that 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. However, without measuring employee performance by the required criteria, performance assessments of instructional personnel may not effectively communicate the employee's accomplishments or shortcomings. According to District personnel, beginning with the 2011-12 school year, the District revised its performance assessment procedures to document that 50 percent of instructional personnel performance was based on student performance.

Recommendation: The District should continue its efforts to ensure that performance assessments of instructional personnel are based primarily on student performance, and maintain records to evidence this.

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.

[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.

The 2010-11 fiscal year salary schedules, supplemental agreements, and applicable union contracts for instructional personnel and school-based administrators generally provided for differentiated pay based on the required District-determined factors. The instructional salary schedule provided salary supplements for additional responsibilities beyond the standard work day, such as supplements for athletic coaches, band directors, and sponsors of student groups. The administrative salary schedule provided salary supplements for additional responsibilities and for level of job performance difficulties by providing different levels of pay for administrators based on their job descriptions. In addition, both salary schedules evidenced consideration of school demographics and level of job performance difficulties by providing supplemental pay to employees with acceptable performance ratings who worked at a critically low-performing school, and a supplemental pay agreement addressed critical shortage areas by providing bonuses to employees willing to work at a school where the District was having difficulties staffing. However, neither the instructional personnel salary schedule nor the union contracts evidenced that differentiated pay was based on performance for instructional personnel, contrary to Section 1012(1)(c)2., Florida Statutes (2010).

District personnel indicated that salary schedule revisions to comply with the statutory performance pay requirements were delayed to ensure consistency with Federal Race-to-the-Top grant requirements, which are subject to approval by the Florida Department of Education. 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.

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 for establishing the documented process to identify the instructional personnel and school-based administrators entitled to differentiated pay.

Safety and Security

Finding No. 3: Background Screening Requirements

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 fingerprinting and screening upon employment. Also, Sections 1012.465, 1012.467, and 1012.468, Florida Statutes, provide that noninstructional contractors, including vendors, who are permitted access to school grounds when students are present or who have direct contact with students must undergo certain background checks at least every five years, unless the noninstructional contractors are under the direct supervision of District personnel or contractor who has met the screening requirements.

The District's human resources coordinator is responsible for periodically generating and reviewing reports to identify and notify employees who needed rescreening; however, because of a programming error, the reports did not list all of the employees who needed to be rescreened. Our review of District records for 15 employees who had direct contact with students disclosed that, because of the programming error, the District did not obtain a background screening for one noninstructional employee within the past five years. As a result of our inquiry, District personnel determined that required background rescreenings had also not been obtained within the past five years for 583 additional employees, or approximately 7 percent of those required for rescreening as of February 2011, the date

of our review. District personnel indicated that corrective action was implemented and, as of June 30, 2011, 516 of the 584 employees had been rescreened.

District procedures also require that vendor employees, permitted access to school grounds when students are present, obtain background screenings. The vendor employees must wear District-provided badges when on school grounds to indicate that they have been properly screened, and school-level personnel are responsible for ensuring that the vendor employees wear the badges. However, our review of District records for four vendors disclosed that, due to an oversight, background screenings of one vendor's employees were not obtained. These employees were responsible for servicing cafeteria dishwashing systems, were permitted access on school grounds when students were present, and were not under the direct supervision of District personnel or a contractor who met the screening requirements.

Without timely completion of required background rescreenings of District employees and contractors, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students. Similar findings were noted in our report Nos. 2006-181 and 2009-029.

Recommendation: The District should continue its efforts to timely obtain required background rescreenings for District employees and contractors.

Confidential Information

Finding No. 4: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

While the District generally uses identification numbers that are not SSNs for record keeping purposes, the District obtains SSNs from individuals for certain purposes such as employee insurance, withholding taxes, background checks, and registration of new students. However, we noted certain instances in which written statements indicating the purpose for collecting SSNs of students and former students was not provided, contrary to law. For example, student registration forms requested the SSN of students, but no written statement indicating the purpose for

collecting the SSN was included on the forms or provided to students or their parents. In addition, the District annually provides its employees with a notice of SSN disclosure form that lists the purposes for collecting and using employee SSNs; however, the form used during the 2010-11 fiscal year did not identify the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the District collects SSNs. For the 2011-12 fiscal year, the District revised its notification form to identify the legal basis for the SSNs collected.

Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. A similar finding was noted in our report No. 2009-029.

Recommendation: The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes.

Insurance

Finding No. 5: Financial Condition – Group Health Self-Insurance Plan

The District established a group health self-insurance plan (health plan) for employees, retirees, and dependents pursuant to Section 112.08(2), Florida Statutes. Section 112.08(2)(b), Florida Statutes, requires the District to annually submit to the Florida Department of Financial Services, Office of Insurance Regulation (OIR), a report that includes a statement prepared by an actuary of the plan's actuarial soundness. In November 2010, the District submitted the report for the health plan to OIR for the 2009-10 fiscal year, and OIR accepted the plan as being actuarially sound.

According to District records for the 2010-11 fiscal year, the District's health plan sustained an operating loss of approximately $7.1 million. For the 2008-09 and 2009-10 fiscal years, the District's health plan sustained operating losses of approximately $2.2 million and $2.3 million, respectively, or operating losses totaling approximately $11.6 million over the last three fiscal years. The District's risk manager indicated that the health plan's recent operating losses resulted, in part, from a higher than expected shift of employees to a lower premium plan option and an unexpected increase in high dollar claims. The District's Employee Benefits Committee has established a target net assets balance for the health plan of 3 months average claims experience and a minimum acceptable net assets balance of 2 months average claims experience. However, at June 30, 2011, the District's health plan's net assets balance was approximately $4.3 million, which represents approximately 1.4 months average claims experience. As of August 31, 2011, the net asset balance had declined to approximately $3.4 million.

Continued operating losses in the District's health plan increase the risk that the health plan may no longer be considered actuarially sound and that the District may have to subsidize the health plan from General Fund reserves. In an effort to improve the financial condition of the District's health plan, the District recently approved various health plan and premium changes that the District expects to increase the net assets balance to an acceptable level by December 31, 2012.

Recommendation: The District should continue its efforts to improve the financial condition of the District's health plan.

Adult General Education

Finding No. 6: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2010-152, Laws of Florida, Specific Appropriation 109, states that from the funds provided in Specific Appropriations 9 and 109, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education's (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

The District reported 297,483 adult general education contact hours to FDOE for the 2010-11 fiscal year. To determine the propriety of the hours reported, we reviewed 1,640 hours for 10 students enrolled in 43 adult general education classes, and noted that the District overreported 140 hours and underreported 157 hours, or 17 net underreported hours. The reporting errors occurred primarily because District personnel input incorrect class times and enrollment and withdrawal dates into the student record system or did not update class times for scheduled class changes. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that the data be submitted correctly.

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

Cash Collections

Finding No. 7: School-Age Child Care Programs

During the 2010-11 fiscal year, the District offered school-age child care programs at 37 schools, operated the programs at 6 of the schools, and reported program fee collections totaling approximately $400,000. To monitor the District-operated programs, District personnel indicated that they conducted site visits and reviewed budgeting, accounting, and attendance records. The District's school-age child care guidelines require school principals at the District-operated sites to perform comparisons of fee collections to attendance records on a monthly basis; however, District records did not evidence that these comparisons were performed from July 2010 through February 2011, the date of our review.

Performing and documenting independent, routine reconciliations of fee collections and deposits with projected fee collections based on attendance records and approved fee rates is necessary to detect and correct errors or misappropriations should they occur. In response to our inquiry, District personnel indicated that they began using revised attendance forms in March 2011, which will help document these comparisons. Similar findings were noted in our report Nos. 2006-181 and 2009-029.

Recommendation: The District should continue its efforts to strengthen internal controls over the school-age child care programs to ensure that all fees are properly assessed, collected, and deposited.

Facilities Administration and Monitoring

Finding No. 8: Facilities Management

The facilities planning department is responsible for managing construction and renovation projects. During the 2010-11 fiscal year, this department employed 26 full-time employees, including construction and energy efficiency personnel, and the department's operating cost was approximately $2 million. Also, during this fiscal year, the District had expenditures totaling approximately $33 million for capital projects fund construction and renovation projects and the District plans to spend an additional $80 million on these projects over the next four fiscal years. At June 30, 2011, the historical cost of the District's educational and ancillary facilities was approximately $394 million and, as shown in the Florida Department of Education's Florida Inventory of School Houses data, District facilities had an average age of 35 years.

The facilities maintenance department is responsible for ensuring facilities are safe and suitable for their intended use. The facilities maintenance department performed heating, ventilating, and air-conditioning (HVAC); and electrical; plumbing;, and other maintenance-related jobs. During the 2010-11 fiscal year, this department employed 134 employees, including grounds and maintenance personnel, and the department's operating cost was approximately $11 million.

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

- **Alternative Construction Method or Maintenance Techniques**. The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build methods, although it has occasionally used guaranteed maximum price and construction management at risk construction methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine for each major construction project or significant maintenance-related job which would be most cost effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.
- **Accountability**. The District's facilities planning and maintenance departments have established short-term and long-term goals; however our review disclosed that these goals did not address accountability for these departments. For example, the goals for the facilities planning department included focusing on employee satisfaction, preparing for the transition to new management, and continuing to use environmentally-friendly building designs that exceed environmental standards. Examples of facilities maintenance department goals are charting the course of excellence, continuing to recognize exceptional employee performance, and

implementing decentralized regional maintenance groups; however, these goals did not address efficiency or cost-effectiveness outcomes.

To adequately establish outcome measures, the departments could set goals such as completing construction or maintenance projects that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because a project did not initially meet building code requirements, and comparing project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs, and progress toward meeting the goals could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measureable objectives and benchmarks could assist the District in determining whether its facilities planning and maintenance departments are operating as effectively and as cost efficiently as possible.

Recommendation: The District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and techniques for performing significant maintenance-related jobs, and document these evaluations. In addition, the District should develop goals and objectives for the facilities planning and maintenance departments to ensure that facilities are effectively and efficiently constructed and maintained.

Information Technology

Finding No. 9: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility. 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. To maintain accurate system access for employees, the IT policies and procedures manual provides that the financial and human resources directors will at least once a year, or more often as necessary, review access privileges of employees.

Our review of selected access privileges to the finance and human resources (HR) applications disclosed some employees who had inappropriate or unnecessary access privileges. For example:

- The director and a financial analyst in the payroll department and a secretary in the curriculum and instruction department had the ability to update employee general and direct deposit information; however, only HR personnel responsible for maintaining this information should be granted such access.
- A transportation department secretary, five warehouse employees, three financial analysts in the budgeting department, a high school secretary, and a data center secretary had the ability to generate and confirm purchase orders, although only purchasing department employees responsible for awarding purchase orders should generally be able to do this.
- Two IT systems analysts had the ability to add or update journal entries, add or update purchase orders, perform invoice matching, add vendors, or change existing vendor information, although these privileges should generally be limited to finance or purchasing department employees.

The District had controls that compensated, in part, for the above deficiencies, such as independent report reviews, verifications, and reconciliation procedures. However, the access privileges described above gave the employees the ability to perform incompatible duties, and District personnel confirmed that these access privileges were unnecessary

for their assigned job duties. Allowing employees to have such incompatible access abilities increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. The finance and HR department directors only reviewed these privileges when positions were added or changed. Without a periodic review of all employees' access, inappropriate access privileges may not be timely detected and addressed by the District, as disclosed by our review above. A similar finding was noted in our report No. 2009-029.

Recommendation: The District should periodically review the appropriateness of all employees' application access privileges and timely remove or adjust any inappropriate or unnecessary access detected, as required by District policy, to ensure that access privileges enforce an appropriate separation of incompatible duties and do not exceed what is necessary for assigned job duties.

Finding No. 10: Security Controls – User Authentication

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 that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, 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. 2009-029.

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

Finding No. 11: Program Change Controls

Effective controls over changes to application programs are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls that are typically employed to ensure the continued integrity of application systems include separating the responsibility for moving approved changes into the production environment from employees who developed the changes.

Our review disclosed three programming analysts in the IT Department who had the ability to modify or create programs and move the programs to production. Allowing the same employee to create or modify a program and move the program to production increases the risk that unauthorized or erroneous programs or program changes may be implemented without timely detection. A similar finding was noted in our report No. 2009-029.

Recommendation: The District should ensure that an appropriate separation of duties exists regarding the ability to create or modify application programs and move the programs into the production environment.

Finding No. 12: 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.

The District did not have a written security incident response plan. District personnel indicated that a security incident response plan was not prepared since the District's Risk Assessment and Data Loss Prevention document already included a range of IT security breach scenarios. However, the document did not discuss acceptable responses to the various IT breach scenarios, such as responsibilities and procedures for identifying, logging, and analyzing security violations, including centralized reporting; provision of a trained incident response team; and notification of affected parties. 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.

Finding No. 13: Security Awareness Training

A comprehensive security awareness training program apprises new employees of, and reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District's IT systems. The District implemented a security awareness training program that included data classification and acceptable or prohibited methods for storage and transmission of data, password protection and usage, malicious software and virus threats, remote access issues, personal digital assistants, laptops, workstation controls, and handling of confidential information. However, during the 2010-11 fiscal year, 2,959 of 6,311 District employees who used District computers did not complete security awareness training. District personnel indicated that it was difficult to allot time for employees to take the training given all their other responsibilities. However, failure to participate in security awareness training increases the risk that the District's IT resources could be unintentionally compromised by employees while performing their assigned duties. A similar finding was noted in our report No. 2009-029.

Recommendation: The District should require all applicable employees to participate in its security awareness training program to ensure that employees are aware of the importance of preserving the confidentiality, integrity, and 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 previous audit reports.

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 January 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 previous audit reports. 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
Information technology (IT) program change controls.	Reviewed IT procedures for requesting, testing, approving, and implementing changes to business systems. Tested employee access to application production libraries and datasets to determine whether an appropriate separation of duties existed in relation to the program change function.
IT logical access controls and user authorization.	Reviewed operating system, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested access privileges to determine the appropriateness and necessity based on the employees' job duties and adequacy with regard to preventing the performance of incompatible duties.
IT termination of employee access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely disabled.
IT data loss prevention.	Reviewed written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed written policies and procedures, plans, and forms related to security incident response and reporting.
IT security awareness and training.	Determined whether a comprehensive IT security awareness training program was in place.
IT risk management and assessment.	Reviewed the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
Procedures for monitoring the charter school's insurance requirements.	Interviewed District personnel and examined supporting documentation to determine if the District effectively monitored whether the charter schools maintained insurance in accordance with District requirements.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2011, to the fund's revenues was less than the percents specified in Section 1011.051, Florida Statutes, and whether the District's self-insured health plan's net assets were less than the minimum recommended balance. Analytical procedures were also applied to determine the reasonableness and ability of the District to make its future debt service payments.
Limitations on investment types.	Examined written policies, procedures, and supporting documentation to determine compliance with Section 218.415, Florida Statutes.
Restrictions on use of capital outlay funds.	Applied analytical procedures including scanning and examining selected District project and expenditure records to determine whether the District complied with requirements related to the use of restricted capital outlay funds.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Social security numbers.	Examined records to determine whether the District had provided individuals with a written statement as to the purpose of collecting social security numbers pursuant to Section 119.071(5)(a), Florida Statutes.
Fingerprinting and background checks for personnel that had direct contact with students.	Tested District and contractual personnel who had direct contact with students and examined supporting documentation to determine whether the District had obtained required fingerprints and background checks for the individuals included in our test.
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.
Procedures for monitoring employee extra pay claims.	Reviewed extra pay claim procedures and tested extra pay claims to determine the effectiveness of the District's monitoring of employee extra pay claims.
Superintendent and Board member compensation.	Examined supporting documentation to determine whether the Superintendent's and Board members' salaries were in compliance with Sections 1001.47 and 1001.395, Florida Statutes, respectively.
John M. McKay Scholarships for Students with Disabilities Program.	Examined records to determine whether parents and guardians were annually notified of the John M. McKay Scholarships for Students with Disabilities Program pursuant to Section 1002.39(5)(a), Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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 funds transfers.	Interviewed District personnel and examined supporting documentation to determine if controls over electronic funds transfers were placed in operation.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.
Direct-support organization and charter school audits.	Reviewed the audit reports for the District's direct-support organization and charter schools to determine whether the audits were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
Insurance for design professionals.	Examined supporting documentation for selected construction projects to determine if design professionals obtained liability insurance in accordance with Board policy.
Construction processes.	Examined records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met the District's short-term and long-term needs.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost-effective and consistent with established benchmarks, and whether contractors performed as expected.
Evaluation of maintenance department staffing needs.	Reviewed procedures for evaluating maintenance department staffing needs. Determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual data.
Identifying and prioritizing facility maintenance needs, and tracking maintenance jobs.	Evaluated procedures for identifying facility maintenance needs including identification and timely resolution of health and safety deficiencies, and establishing resources to address those needs. Compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements and timely resolution of deficiencies identified during inspections.

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EXHIBIT B
MANAGEMENT'S RESPONSE

THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

75 NORTH PACE BOULEVARD
PENSACOLA, FL 32505
PHONE 850/432-6121, FAX 850/469-6379
http://www.escambia.k12.fl.us
MALCOLM THOMAS, SUPERINTENDENT

November 22, 2011

Mr. David W. Martin, CPA
Auditor General
7282 Plantation Road, Suite 401
Pensacola, FL 32504

Re: Preliminary and Tentative Audit Findings and Recommendations of the Operational Audit of the Escambia County District School Board for the Fiscal Year Ended June 30, 2011

Dear Mr. Martin:

Enclosed is our response to the preliminary and tentative audit findings of the operational audit for the fiscal year ended June 30, 2011.

We appreciate the opportunity to respond to the findings. After reviewing the response, please advise me if you require any further clarification or action on our part.

In the meantime, we shall look forward to receiving the final audit when it becomes available.

Sincerely,

Malcolm Thomas

Malcolm Thomas
Superintendent

MT:TSC:dlh

Affirmative action/equal opportunity employer

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
Fiscal Year Ended June 30, 2011

Finding No. 1: Performance Assessments

District records did not sufficiently evidence that performance assessments of instructional personnel were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).

For the 2011-2012 school year, the District has negotiated and approved a new teacher evaluation system, the Escambia Educator Evaluation (E3). E3 provides that improved student achievement will be a component of a teacher's final evaluation. The District has received approval for E3 by the Florida Department of Education.

Finding No. 2: Compensation and Salary Schedules

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).

The District has implemented differentiated pay policies for varying circumstances in compliance with Florida Statute. Furthermore, it is the intent of the District to continue addressing differentiated pay to ensure total compliance in future years. It should be noted however, that inadequate funding due to declining state and local revenue is a deterrent to full implementation.

Finding No. 3: Background Screening Requirements

The District did not timely obtain the required background screenings for certain District employees and a non-instructional contractor.

The District implemented corrective action to address the large number of employees who had not been timely rescreened. Upon identification of those employees, the District immediately began reprocessing and, to date, has successfully rescreened the vast majority. Furthermore, recent enhancements to the credentialing operation will provide for improved accountability. This includes transitioning to complete in-house control over both employee and vendor/contractor credentialing rather than utilizing a third party vendor. Periodic self audits will be conducted by the District's Protection Services administrative staff to insure complete compliance. Appropriate documentation for self audits shall be maintained.

Finding No. 4: Collection of Social Security Numbers

Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

The District will be implementing steps in January 2012, to fully inform parents of the use of their child's Social Security number when requested at registration.

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EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
Fiscal Year Ended June 30, 2011

Furthermore, the District is fully compliant on providing appropriate legal notice of collection of Social Security numbers for all employee related issues through an updated notice contained in the 2011-2012 Federal/State Compliance Packets. Compliance packets are disseminated to all current and new employees.

Finding No. 5: Financial Condition – Group Health Self-Insurance Plan

The net assets of the District's group health self-insurance plan have declined by $11.6 million over the last three fiscal years. At June 30, 2011, the net assets available to pay claims was $4.3 million, representing approximately 1.4 months average claims experience, and was below the District's target net asset balance of 3 months.

The District has approved new health insurance plan designs and premium schedules that will be implemented effective January 1, 2012. These changes are projected to bring the net asset reserve back to a recommended minimum floor of two months claim expense by the end of the 2012 plan year with a targeted reserve of 3 months claims expense as a goal.

Finding No. 6: Adult General Education Classes

Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Steps to improve controls over the reporting of instructional contact hours for adult general education (AGE) include the following:

1. Analyze the scheduling and program logic errors that led to the over- and under- reporting of AGE instructional hours.

2. Conduct training at bi-monthly Workforce Development Information System (WDIS) meetings to communicate data entry and programming logic protocol and monitor data entry, reporting, and analysis quality.

3. A Workforce Education Data Specialist has been hired to focus on WDIS reporting and data quality. One of the tasks for this new position is to develop written WDIS Standard Operating Procedures to clarify District data entry and reporting protocol.

Finding No. 7: School-Age Child Care Programs

District records did not evidence that independent reconciliations of child care fee collections and deposits with projected fee collections based on attendance records and approved fee rates were performed.

The following procedures were implemented to address fee collections and deposits:

1. A new child care attendance form was developed to assist with the goal of fully

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
Fiscal Year Ended June 30, 2011

complying with District School-Age Child Care (SACC) Guidelines. Implementation of this form began March 1, 2011.

2. Principals will perform a monthly comparison of monies collected and deposited into their school's internal child care account to the child care attendance records.

3. The SACC Coordinator will perform periodic site reviews at each child care site and will meet monthly with the SACC Site Directors to review and enforce proper procedures.

4. The SACC Coordinator will continue to review budget runs and documentation practices with site directors.

Finding No. 8: Facilities Management

Controls over facilities construction and maintenance activities could be enhanced.

The District commits to undergo a policy development initiative to assure such recommended policies are in place for both maintenance and facilities planning methods and techniques. Regarding District level alignment of goals, all departmental goals are aligned to the specific District level strategic plan goals that are relevant to each respective department. In that this year there are no effectiveness and efficiency goals at the District Strategic Plan level that correlate to Maintenance and Facilities Planning goals, naturally a finding of this nature would occur. The District commits to redeveloping departmental level goals addressing efficiency and effectiveness. Obviously the ability to align to District level goals will be dictated by the nature and emphasis of District level goals as they are established each year.

Finding No. 9: Access Privileges

Several employees had inappropriate or unnecessary information technology (IT) access privileges.

The District will employ a periodic review of access rights conducted by pertinent IT administrative staff in coordination with each Department Head to insure appropriate separation of duties. Appropriate documentation for self reviews shall be maintained.

Finding No. 10: Security Controls – User Authentication

The District's IT security controls related to user authentication needed improvement.

The District is actively seeking improved security controls for user authentication and will deploy resources that enhance existing authentication.

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Escambia County School District
Preliminary and Tentative Audit Findings & Recommendations
Fiscal Year Ended June 30, 2011

Finding No. 11: Program Change Controls

Several District employees had the ability to create or modify application programs and move the programs into the production environment, contrary to an appropriate separation of program change duties.

The District will employ a periodic review of development and production arena access and rights for all programming staff members by pertinent IT administrative staff to insure appropriate separation of program change duties. Appropriate documentation for self reviews shall be maintained.

Finding No. 12: Security Incident Response Plan

The District did not have a written security incident response plan.

The District will enhance existing Risk Assessment and Data Loss Prevention documentation to an extent that it serves as a comprehensive Computer Security Incident Response Plan.

Finding No. 13: Security Awareness Training

The District did not require all applicable employees to participate in its security awareness training program.

The District commissioned an on-line safety training task force specifically charged with addressing this finding. The recommendation of the committee details measures for sustainable accountability with respect to the successful completion of all required safety and security training by all employees. The committee recommendations will be deployed immediately.