REPORT NO. 2013-068
DECEMBER 2012

SARASOTA 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 2011-12 fiscal year are listed below:

	District No.
Dr. Carol Todd, Vice Chair from 11-22-11	1
Caroline Zucker, Vice Chair to 11-21-11, Chair from 11-22-11	2
Frank Kovach, Chair to 11-21-11	3
Shirley Brown	4
Jane Goodwin	5

Lori White, Superintendent

The audit team leader was Dawn T. Meyers, CPA, and the audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, 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.

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SARASOTA COUNTY

District School Board

SUMMARY

Our operational audit disclosed the following:

CAPITAL OUTLAY FUNDING

Finding No. 1: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in $2.9 million of questioned costs.

PERSONNEL AND PAYROLL

Finding No. 2: The Board had not adopted formal policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

CASH CONTROLS

Finding No. 3: Controls over electronic funds transfers could be enhanced.

Finding No. 4: Controls over food service collections could be improved.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 5: The District could enhance its controls relating to construction management.

CONFIDENTIAL INFORMATION

Finding No. 6: 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. 7: Improvements could be made in monitoring worker' compensation expenses paid by the District's third party administrator.

ADULT GENERAL EDUCATION

Finding No. 8: The District needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

WORKFORCE DEVELOPMENT

Finding No. 9: Improvements were needed in controls over workforce development expenditures.

INFORMATION TECHNOLOGY

Finding No. 10: Some inappropriate or unnecessary information technology (IT) access privileges existed, indicating a need for an improved review of employee IT access privileges.

Finding No. 11: The District did not timely deactivate the IT network access privileges of some former employees.

Finding No. 12: The District lacked written policies and procedures for certain IT functions.

Finding No. 13: The District's IT security awareness training program needed improvement.

Finding No. 14: The District did not have a written IT security incident response plan.

Finding No. 15: District security controls related to IT user authentication, data loss prevention, and logging and monitoring needed improvement.

BACKGROUND

The Sarasota 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 Sarasota County. The governing body of the District is the Sarasota 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 2011-12 fiscal year, the District operated 44 elementary, middle, high, and specialized schools; sponsored nine charter schools; and reported 40,925 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, 2012, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Capital Outlay Funding

Finding No. 1: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay related purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing schools; purchases of new and replacement equipment; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. Section 1013.01(12), Florida Statutes, provides a definition of maintenance and repair that excludes custodial and groundskeeping functions. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2011-12 fiscal year, the District had LCI Fund expenditures and transfers to the General Fund totaling $22,872,849 and $18,601,913, respectively, and we tested expenditures and transfers totaling $13,997,228 for propriety. Our tests disclosed LCI Fund expenditures and transfers totaling $2,870,811 that did not appear to be for purposes authorized by Section 1011.71, Florida Statutes, as follows:

Description	Amount
Expenditures:	
Moving Expenses (1)	$ 33,817
Transfers to the General Fund for:	
Portions of salary and benefit costs of certain:	
Information technology personnel (2)	1,707,428
Facilities planning personnel (3)	516,071
Safety and security personnel (4)	267,001
Groundskeeping supplies (5)	294,511
Gasoline (6)	28,887
Insurance premiums (7)	23,096
Total	$ 2,870,811

Notes:

(1) The District incurred these expenditures for extra duty compensation paid to 70 employees for the time employees spent moving to allow construction in their offices; however, District records did not evidence the basis upon which these costs were legitimate charges of ad valorem tax levy proceeds.

(2) These costs represented allocations, ranging from 40 to 90 percent, of the salaries and benefits of 63 information technology employees, such as technical support professionals, local area network technicians, and other staff members. District personnel indicated that a significant part of the job duties of the 63 employees included maintaining and repairing the District's network infrastructure and implementing new equipment and infrastructure Districtwide. However, the District did not maintain records, such as personnel activity reports or other documents, to evidence the amount of time these employees spent on activities representing allowable uses of ad valorem tax levy proceeds. District personnel indicated that the percentages charged to ad valorem tax levy proceeds were conservative estimates developed with the budget department and that there were monthly reports that documented maintenance work, but District personnel were unable to provide these records.

(3) These costs represented 50 percent of the salaries and benefits of 13 employees, such as facilities managers and other facilities department staff members. Also, the duties of these 13 employees included responsibilities for custodial and groundskeeping functions, although the definition of maintenance and repair in Section 1013.01(12), Florida Statutes, excludes these functions. District personnel indicated that the salaries and benefits 50 percent allocation was determined based on the work assigned to the employees; however, the District did not maintain records such as personnel activity reports or other documents to evidence the amount of time these employees spent on activities representing allowable uses of ad valorem tax levy proceeds.

(4) These costs represented allocations, ranging from 25 to 90 percent, of the salaries and benefits of 5 safety and security employees, such as the manager, inventory control technician, and other staff members. Duties of these employees included services such as overseeing security operations for planning and managing support for new technologies; maintaining accounting records for the department; and receiving, inspecting, and verifying incoming deliveries for the department. District personnel indicated that the duties of 4 of these employees included design, installation and repair of all security systems and procuring materials and parts directly associated with the installation and repair of security systems and time charged for these employees were based on the nature of the position and the types of work performed. However, District records, such as personnel activity reports or other documents, were not maintained to evidence the amount of time these employees spent on activities representing allowable uses of ad valorem tax levy proceeds.

(5) These costs were for groundskeeping supplies, which are unallowable uses of ad valorem tax levy proceeds.

(6) These costs represented fuel for vehicles and equipment such as lawnmowers, tractors, weed eaters, and other gas powered tools, although groundskeeping functions are unallowable uses of ad valorem tax levy proceeds.

(7) These costs represented insurance premiums for petroleum storage liability, surety bonds, student medical malpractice and other insurance, which were not insuring the educational and ancillary plants, and are unallowable uses of ad valorem tax levy proceeds.

These costs represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. Such controls should include District records, such as personnel activity reports, to evidence the allowable activities funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the questioned costs totaling $2,870,811 or restore these costs to the LCI Fund.

Personnel and Payroll

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)4.b., Florida Statutes provides that, for instructional personnel, the Board must 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 establishing the documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2011-12 fiscal year salary schedule and union contract for instructional personnel provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. The instructional personnel salary schedule and union contract provided salary supplements for additional responsibilities beyond the standard workday, such as supplements for athletic coaches and department chairpersons. Also, the union contract provided that a plan could be established to offer financial incentives to staff members in schools identified as "D" or "F" schools; however, no "D" or "F" schools were identified in the 2011-12 fiscal year, and no one received the financial incentives based on this or other school demographics. In addition, neither the salary schedule nor the union contract evidenced consideration of differentiated pay based on critical shortage areas or level of job performance difficulties, contrary to Section 1012.22(1)(c)4.b., Florida Statutes.

District personnel indicated that, in June 2011, the Board approved the collective bargaining agreement, effective from July 2011 to June 2014, and the salary schedule for the 2011-12 fiscal year. Without Board-adopted policies and procedures for identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied.

Recommendation: The Board should adopt formal policies and procedures for ensuring that differentiated pay of instructional personnel is appropriately identified on salary schedules, consistent with Section 1012.22(1)(c)4.b., Florida Statutes.

Follow-up to Management's Response:

The District's response indicates disagreement with this finding, in part, because the adoption of a differentiated pay policy is not required by Florida Statutes. However, operational audits, pursuant to Section 11.45(1)(g), Florida Statutes, are not limited to identifying areas of statutory noncompliance, but also include an evaluation of management's performance in establishing and maintaining internal controls. This finding identifies an operational area in which internal controls could be enhanced and makes a recommendation for improving District operations. The District's response further indicates that enactment of a specific policy would be unwise because it could be used as evidence of an unfair labor practice if the Board were to refuse to bargain the position articulated in its policy, or it would outline the Board's strategic aims for bargaining prior to the beginning of bargaining sessions thereby making achieving its aims more difficult. However, we believe the policy could be written in a manner that does not inhibit the District's ability to bargain its position while helping to ensure the District's compliance with Section 1012.22(1)(c)4.b., Florida Statutes.

Cash Controls

Finding No. 3: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which requires the use of electronic signatures in electronic transactions between school boards and other entities. 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. SBE Rule 6A-1.0012, FAC, also requires the District to maintain documentation signed by the initiator and authorizer of EFTs to confirm the authenticity of EFTs.

During the 2011-12 fiscal year, the District regularly used EFTs to make electronic disbursements for debt service payments, workers' compensation and dental self-insurance payments, purchases and sales of investments, and direct deposit of employee pay. According to District records, cash and cash equivalents and investments totaling $298.8 million were available for electronic transfer at June 30, 2012. The Board established a bank agreement with each of two banks and six investment agreements with the State Board of Administration (SBA) to provide various services, such as EFTs; however, controls over the EFT process could be enhanced as follows:

- While the District had informal EFT processes, such as use of EFT control documents that identified employees who initiated and authorized EFTs, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes.
- One bank agreement dated May 2001 contained outdated information as it authorized a former employee, who discontinued employment with the District in December 2001, to make EFTs, and authorized a former superintendent, who discontinued employment with the District in August 2003 and a former Board chair who vacated office in November 2002, to establish who could make EFTs. In addition, this agreement did

not include the manual signatures of two finance employees authorized to initiate transactions, contrary to SBE Rule 6A-1.0012, FAC.

- The other banking agreement dated April 2005 did not provide for an appropriate separation of duties as it authorized the treasurer to designate employees that perform EFTs and the accounts that would receive EFTs, and to initiate and authorize EFTs. In addition, the agreement authorized a former employee, who discontinued employment with the District in June 2007, to change who could make EFTs.
- The investment agreements with SBA contained outdated information as they authorized a former employee, who discontinued employment with the District in November 2011, to make EFTs. Also, the agreements omitted the signatures of the superintendent and Board chair, contrary to SBE Rule 6A-1.0012, FAC. The District updated these agreements in September 2012; however, the updated agreements excluded the signatures of the Superintendent and Board chair.

While the District had established certain controls over electronic fund transfers, such as independent bank reconciliations, and our tests did not disclose any EFTs for unauthorized purposes, the lack of specific guidance in the form of written policies and procedures increases the risk of misappropriation of funds without timely detection.

Recommendation: The Board should adopt written policies and procedures related to EFTs, including the use of electronic signatures. Such policies and procedures should ensure that EFT agreements are timely updated for changes in personnel, appropriately separate the duties of initiating and authorizing EFTs, and contain required signatures.

Finding No. 4: Food Service Collections

For the 2011-12 fiscal year, the District reported local food service revenues totaling $5.7 million. Controls over District food service collections were generally adequate; however, for 22 of 30 days tested or $28,000 of $39,000 total deposits tested at Riverview High, Brentwood Elementary, and Sarasota Middle schools, food service collections were transferred from cashiers to food and nutrition services managers without transfer documents establishing responsibility for the collections. Without such documents, the District may be limited in its ability to effectively fix responsibility should a loss of collections occur.

Recommendation: The District should enhance control procedures to document responsibility for food service collections transferred among personnel.

Facilities Administration and Monitoring

Finding No. 5: Construction Administration

Section 1013.45(1)(c), Florida Statutes, authorizes the District to contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. In addition, the CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between certain costs of the project and the GMP amount, or the net cost savings, to be returned to the District. As such, a GMP contract requires District personnel to closely monitor the construction costs and award of bids to subcontractors.

From July 2009 to December 2011, the Board approved several GMP contracts with a CME for the multiphase Venice High School Rebuild project with total projected costs of $81.8 million. In January 2012, the Board approved a GMP contract with a CME for the Sarasota County Technical Institute (SCTI), Phase III project with total costs of $25.9 million. During the 2011-12 fiscal year, the District incurred expenditures totaling $16.4 million and $3.4 million for the contractors of the Venice High School Rebuild and SCTI projects, respectively. It is anticipated that the projects will be completed during the 2014-15 fiscal year.

District procedures provide that subcontractors of CMEs maintain appropriate licenses and subcontractor payments reconcile to original bids and contracts. District personnel indicated that the District project manager reviews the subcontractor bid documentation with CME staff once the bid process is completed to ensure accuracy and fairness. However, because the bid opening process usually takes several days to complete, District personnel indicated that they were not present at bid openings related to either project mentioned above to monitor that subcontractors were properly selected. Without District procedures to appropriately monitor the award of subcontractor bids, the risk increases that the District may not realize potential cost savings by obtaining the lowest and best prices for subcontractor services, consistent with acceptable quality and performance.

Recommendation: The District should enhance its monitoring procedures of GMP contracts to ensure subcontractors are appropriately selected.

Confidential Information

Finding No. 6: 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 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 written notification the District provides its employees and prospective employees lists the purposes for collecting and using the SSNs; however, it 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.

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. 2010-044.

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

Insurance

Finding No. 7: Workers' Compensation Self-Insurance Plan

Pursuant to Section 1011.18(6), Florida Statutes, the District contracted with a third-party administrator (TPA) to administer its workers' compensation plan including the processing, investigating and payment of claims. During the 2011-12 fiscal year, the District reported expenses totaling $3.7 million for these claims. While District personnel indicated that they performed claims tests to confirm the propriety of these expenses, our tests of 15 workers' compensation claims payments totaling $565,000 disclosed that the District paid $29,840 more than the amount due for the services provided, resulting in an overpayment by the TPA of that amount. We selected an additional 11 workers' compensation claims payments totaling $210,000 for testing and determined that District records appropriately supported the remaining claims expenses tested. While our claims expenses tests evidenced that these expenses were generally properly supported, our procedures do not substitute for the District's responsibility to establish adequate controls over workers' compensation claims expenses. A similar finding was noted in our report No. 2010-044.

Recommendation: The District should enhance procedures to effectively monitor its workers' compensation plan claims expenses. In addition, the District should take action to recover the $29,840 overpayment.

Adult General Education

Finding No. 8: 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. The District received State funding for adult general education and proviso language in Chapter 2011-69, Laws of Florida, Specific Appropriation 96, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures

The FDOE procedures 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 FDOE

procedures also provided that school districts must develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date shall be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2011-12 fiscal year, the District reported to the FDOE 287,145 adult general education instructional contact hours for 2,818 students enrolled in 346 classes. To determine whether the hours were properly reported, we tested 2,900 hours reported for 20 students enrolled in 35 classes and noted 360 total hours overreported for 3 students. Subsequent to our tests, District personnel identified an additional 3,757 total hours overreported for 28 other students. According to District personnel, the 4,117 hours overreported occurred because of procedural and system errors.

Since future funding may be based, in part, on enrollment data submitted to the FDOE, it is important that such data be submitted correctly. A similar finding was noted in our report No. 2010-044.

Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education classes to the FDOE. Further, the District should determine the extent of adult general hours overreported and contact the FDOE for proper resolution.

Workforce Development

Finding No. 9: Workforce Development Funds

Chapter 2011-69, Laws of Florida, Specific Appropriation 96, provided that workforce development program funds are not to be used to support K-12 programs or school district K-12 administrative indirect costs. The Legislature appropriated State funding totaling $9.5 million to the District for workforce development program funds.

The District provides adult and high school student career and technical education training at Sarasota County Technical Institute (SCTI). To determine the propriety of workforce development program fund expenditures, we tested expenditures totaling $304,000 and noted that the District paid for support services such as salaries and benefits for SCTI instructional support, school administration, and operation of plant employees although these costs helped support K-12 students served at SCTI.

For the 2011-12 fiscal year, District records indicated that 74.4 percent of the full time equivalent students at SCTI were adults and 25.6 percent were K-12 students. We further noted that these percentages were comparable to the percentages based on the adult and K-12 student salaries and benefits costs for these services. However, 82.8 percent of the expenditures at SCTI were paid with workforce development funds and fees, resulting in $894,287 of questioned costs ($8,785,820 or 82.8 percent of total SCTI expenditures less $7,891,533 or 74.4 percent of total SCTI expenditures). Subsequent to our inquiry, in September 2012, the District reimbursed $894,287 to the workforce development fund from unrestricted resources in the General Fund.

Recommendation: The District should continue its efforts to comply with the restrictions governing workforce development program funds.

Information Technology

Finding No. 10: 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 job responsibilities.

Our tests of selected access privileges to the District's business application and the network disclosed that some District employees had access privileges that exceeded what was necessary to perform assigned job responsibilities or permitted the employees to perform incompatible functions. Specifically:

- Three employees had update access privileges to critical transactions within the finance module, including the ability to add or modify a vendor; input, update, and approve a purchase order; and print a check for payment. Two additional employees had update access privileges to all critical transactions within the finance and human resources modules. Among other things, the two employees had the ability to add or modify a vendor; input, update, and approve a purchase order; print a check for payment; post journal entries; create a new employee; adjust salaries; and add new users and modify access privileges within the application modules. Further, four employees had update access privileges to critical transactions within the finance module, including the ability to add or modify a vendor; input, update, and approve a purchase order; and post journal entries. One of the four employees also had the ability to print a check for payment. These privileges were unnecessary for the job responsibilities that had been assigned to each of the employees. The absence of effective access controls that enforce an appropriate separation of incompatible duties and that align access privileges with employees' job responsibilities may diminish the reliability of computerized data and increase the risk that erroneous or fraudulent transactions may be processed. In response to our inquiry, the District modified the access privileges of the employees by removing the ability to print a check for the three employees and removing the access privileges described above for the remaining six employees.
- Three user accounts within the network administrators group were no longer used by the District. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. Inactive user accounts may not have appropriate user network authentication controls in effect or be monitored for use, increasing the risk of compromise and unauthorized network hardware, software, or configuration changes. In response to our inquiry, District management deactivated one of the accounts and removed the other two accounts.

With the exception of a change in employees assigned as administrators, the District had not conducted a review of administrative network access privileges and, because not all of the functionality of the District's business application had been completed at the time of our audit, the District had not developed procedures for or performed a review of application access privileges. A comprehensive review of access privileges is necessary to ensure the timely detection and remediation of inappropriate or unnecessary access privileges.

Although the District had compensating controls in place (e.g., department supervisor monitoring of budget and actual expenditures) to mitigate the risks of the control deficiencies noted above, allowing employees to have incompatible access abilities increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2007-030 and 2010-044.

Recommendation: The District should enhance its procedures to ensure that access privileges assigned are appropriate for employees' responsibilities; periodically review the appropriateness of such assignments within the business application modules and the network; and remove any inappropriate or unnecessary access detected.

Finding No. 11: Timely Deactivation of Access Privileges

Effective IT access controls include provisions for the timely deactivation of employee IT access privileges when employment terminations occur. Prompt action is necessary to ensure that former employees' access privileges are not misused by the former employees or others to compromise data or IT resources.

Our test of 17 former noninstructional employees who terminated employment from July 1, 2011, through January 23, 2012, disclosed that although the business application accounts of 7 former employees included in our test had been deactivated upon termination, the network access privileges of the 7 former employees remained active from 24 to 193 days after termination of employment. In addition, 4 of the 7 employees' network accounts showed logon activity subsequent to termination. While there was no access to business applications remaining, the District's network allows access to other critical application systems and confidential or sensitive information stored within documents of individual network users. In response to our inquiry, District management indicated that some network accounts are not deactivated at the time of termination to allow access to the former employee e-mail accounts. District management further indicated that, while the four former employees required access to certain network resources either for e-mail or contracted vendor support services, the District had not monitored the logon activity of the terminated employees' network accounts to ensure that only authorized resources were accessed. When access privileges of former employees are not timely deactivated, the risk is increased that the access privileges may be misused by the former employees or others. Similar findings were noted in our report Nos. 2007-030 and 2010-044.

Recommendation: The District should improve its termination procedures to ensure that the access privileges of former employees are timely deactivated. In addition, for circumstances in which a former employee's network account is permitted to remain active, the account should be restricted to only those resources necessary, should be active for a set period of time, and should be monitored during this period for unauthorized access.

Finding No. 12: Written Policies and Procedures

Each IT function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

The District lacked written policies and procedures for the following IT functions:

- Administering network accounts, including creation, modification, and review;
- Deactivating access privileges of terminated or transferred employees, consultants, and vendors;
- Limiting and monitoring administrative actions on user workstations;
- Resetting user passwords, including positive identification of the user;

- Identifying, reviewing, and retaining auditable events, including access to and modifications of sensitive or critical system resources; and
- Authorizing, testing, and approving changes to application systems, including emergency changes.

District personnel indicated that written policies and procedures had not been developed due to the lack of staff; however, without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. A similar finding was noted in our report No. 2010-044.

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

Finding No. 13: Security Awareness Training Program

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.

Employees are required to annually confirm online their acknowledgement evidencing concurrence with the *District's Computer Acceptable Use Policy* and, as of September 2012, the District was in the process of developing a program for ongoing security education and training; however, the ongoing security awareness program did not address acceptable or prohibited methods for storage and transmission of data and the use and protection of portable devices. The absence of ongoing security awareness training increases the risk that the District's IT resources could be unintentionally compromised by employees while performing their duties. A similar finding was noted in our report Nos. 2007-030 and 2010-044.

Recommendation: The District should continue its efforts to implement a comprehensive IT security awareness training program to ensure that applicable employees are aware of the importance of preserving the confidentiality, integrity, and availability of data and IT resources.

Finding No. 14: 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, provisions for designated staff to be trained in incident response, and notification to affected parties.

Although the District had a hosting service agreement with Sarasota County that included provisions to report computer security incidents to the District, the District had not developed a written security incident response plan. 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 may result in the District's failure to take appropriate actions in a timely manner to prevent further loss or damage to District 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. 15: Security Controls - User Authentication, Data Loss Prevention, and 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, data loss prevention, and logging and monitoring 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, data loss prevention, and logging and monitoring, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was noted in previous audit reports.

Recommendation: The District should improve security controls related to user authentication, data loss prevention, and logging and monitoring to ensure the continued confidentiality, integrity, and availability of District 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. The following table provides information on recurring District audit findings:

	Financial		Operational	
Current Fiscal Year Finding Numbers	**2010-11 Fiscal Year Audit Report and Finding Numbers**	**2009-10 Fiscal Year Audit Report and Finding Numbers**	**2008-09 Fiscal Year Audit Report and Finding Numbers**	**2005-06 Fiscal Year Audit Report and Finding Numbers**
6	NA	NA	Audit Report No. 2010-044, Finding No. 3	NA
7	NA	NA	Audit Report No. 2010-044, Finding No. 1	NA
8	NA	NA	Audit Report No. 2010-044, Finding No. 5	NA
10	NA	NA	Audit Report No. 2010-044, Finding No. 8	Audit Report No. 2007-030, Finding No. 7
11	NA	NA	Audit Report No. 2010-044, Finding No. 8	Audit Report No. 2007-030, Finding No. 7
12	NA	NA	Audit Report No. 2010-044, Finding No. 7	NA
13	NA	NA	Audit Report No. 2010-044, Finding No. 9	Audit Report No. 2007-030, Finding No. 6
15	NA	NA	Audit Report No. 2010-044, Finding No. 10	NA

NA – Not Applicable

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 April 2012 to October 2012 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:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in previous audit reports.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring during the 2011-12 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of agency management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

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) policies and procedures.	Reviewed the District's written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Tested selected access privileges over the finance and human resources modules to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and enterprise resource planning application to determine whether these accounts had been appropriately assigned and managed.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees' access to electronic data files. Reviewed access privileges of former employees to determine whether their access privileges had been timely deactivated.
IT data loss prevention.	Reviewed the District's written policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Determined whether the District had developed an adequate written security incident response plan.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT logging and monitoring controls.	Reviewed supporting documentation to determine whether logging and monitoring controls were in place in accordance with IT best practices.
IT security awareness.	Reviewed supporting documentation to determine whether a comprehensive IT security awareness and training program was in place.
IT risk assessment.	Determined the status of the District's risk management processes and security plans intended to protect the confidentiality, integrity, and availability of data and IT resources.
Monitoring of charter schools insurance.	Reviewed charter school insurance policies to determine if the District effectively monitored to ensure that charter schools maintained insurance as required by the charter school agreements.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the District's fraud policy and related procedures.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Board meetings.	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2012, to the fund's revenues (i.e., financial condition ratio) was less than the percents specified in Section 1011.051, Florida Statutes. Also, reviewed records to determine sufficiency of financial condition ratios at other intervals. In addition, 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.
Earmarked capital project resources.	Tested payments made from nonvoted capital outlay tax levy proceeds and other restricted capital outlay funds, and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay proceeds and other restricted capital outlay funds.
Restrictions on use of Workforce Development funds.	Tested Workforce Development expenditures and 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.	Examined supporting documentation on a test basis to determine whether the District reported instructional contact hours in accordance with Florida Department of Education requirements.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the District had provided individuals with a written statement as to the purpose of collecting their social security numbers.
Self-insurance for workers compensation and dental.	Tested claims processed by third-party administrators to determine payments were properly supported and in agreement with contracted rates.
Food service cash collection procedures.	Reviewed food service collection procedures and tested daily cash collections at selected schools to determine the effectiveness of the District's collection procedures.
Compensation for appointed superintendents.	Determined whether the appointed Superintendent's compensation was in accordance with Florida law, rules, and Board policies.
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board adopted a salary schedule with differentiated pay for both 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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Overtime payments.	Reviewed District policies, procedures, and supporting documentation evidencing the approval of, and necessity for, overtime payments. Performed analytical procedures to determine the reasonableness of overtime payments.
Bonuses.	Determined whether bonuses paid were in compliance with Section 215.425(3), Florida Statutes.
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.
Purchase of software applications.	Determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.
Insuring buildings.	Reviewed District records and procedures to determine the adequacy of property insurance, considering replacement value of insured property, resources that it can use to cover uninsured losses, and whether there is a plan to expedite replacement or repair of property losses.
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 transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, tested former employees to determine whether purchasing cards were timely canceled upon termination of employment.
Electronic transfers.	Reviewed District policies and procedures relating to electronic funds transfers. Tested supporting documentation to determine if selected electronic funds transfers were properly authorized and supported, and complied with State Board of Education Rule 6A-1.0012, Florida Administrative Code.
School district fees.	Reviewed policies and procedures to determine whether the District assessed fees to parents or students, or required parents or students to contribute supplies, as a condition of the student attending school or taking classes, contrary to the Florida Constitution.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Charter school fiscal viability.	Examined records to determine whether the District evaluated charter school applications for the fiscal viability of the charter schools and the competency of the staff responsible for operating the charter schools before the charters were granted using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and Section 6A-6.0786, Florida Administrative Code.
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audits were performed. In addition, reviewed the audit reports to determine whether the audit was performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
Charter school expedited review.	Reviewed District procedures to determine whether they were sufficient and appropriate to determine whether its charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes.
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 District short-term and long-term needs.
Identifying and prioritizing facility maintenance needs.	Evaluated procedures for identifying facility maintenance needs and establishing resources to address those needs.
Evaluating 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 information.
Consultant contracts.	Tested selected consultant contracts to determine compliance with competitive selection requirements, whether the District contracted with its employees for services provided beyond that provided in the salary contract contrary to Section 112.313, Florida Statutes, and whether the contract clearly specified deliverables, time frames, documentation requirements, and compensation. Also tested selected payments for proper support and compliance with contract terms.

EXHIBIT B
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA
OFFICE OF THE SUPERINTENDENT
1960 Landings Boulevard Sarasota, Florida 34231
Telephone: (941) 927-9000 Fax: (941) 927-2539
Email: lori_white@sarasota.k12.fl.us

December 13, 2012

David W. Martin, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

Pursuant to Section 11.45(4)(d), Florida Statutes, included below please find the School Board of Sarasota County, Florida (District) responses to your preliminary and tentative audit findings and recommendations on our operational audit for the fiscal year ended June 30, 2012.

Finding #1 – Capital Outlay Funding: Ad Valorem Taxation

The District response is provided using the numeric identifier included in the Notes section of this finding:

Note 1 – Moving Expenses: The District believes that the payment to staff, in lieu of payment to a moving company, for moving from one classroom to another while a school is under construction, particularly when the current classroom is scheduled for demolition, is an allowable cost of construction. The District has not received clarification from Florida Department of Education at the time of this response and, as such, will restore the amount of $33,417 to the Local Capital Improvement Fund (LCIF).

Notes 2, 3 and 4 – Payment of personnel costs: The District disagrees to the questioning of all costs charged to the LCIF related to staff who spend their allocated percentage of time on allowable activities because we were unable to provide employee specific documentation, such as a timesheet, as verifiable proof. The amounts charged were based upon estimates of average daily duties from work order documents and employee job descriptions. As this was not deemed as satisfactory evidence of activities performed, the District will restore funding to the LCIF in the amount of $2,490,500. This District will put processes in place to evidence performance of allowable activities by personnel charged to the LCIF.

Note 5 – The District will restore funding to the LCIF in the amount of $294,511 for groundskeeping supplies.

Note 6 - The District will restore funding to the LCIF in the amount of $28,887 for gasoline expenditures not specifically documented for maintenance.

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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Note 7 The District will restore funding to the LCIF in the amount of $23,096 for other insurance premiums that were included in the total transfer from the LCIF. The District has put controls in place to segregate the cost of property insurance premiums from other insurance premiums to prevent this from occurring in the future.

Finding #2 - Personnel and Payroll: Compensation and Salary Schedules

The District believes itself to be in compliance with Section 1012.22(1)(c) 4.b, Florida Statutes and requested further clarification from our general counsel, Mr. Arthur S. Hardy, who provided the following response:

While the School Board acknowledges that it has not adopted a specific policy, other than those set forth in its current collective bargaining agreement, to identify instructional personnel who will be entitled to differentiated pay using the factors listed in Section 1012.22(1)(c)4.b, Florida Statutes, the School Board disagrees with the finding to the extent it implies it had any obligation to do so or that doing so would be in its best interests.

Section 1012.22(1)(c)4 & 5, which became effective July 1, 2011, requires the School Board ultimately to establish two salary schedules: a grandfathered salary schedule for employees hired before July 1, 2014, and a performance salary schedule for employees hired on or after July 1, 2014. Among other things, the grandfathered salary schedule for instructional personnel must provide for differentiated pay based upon certain, enumerated factors. In June 2011, prior to the effective date of the statute, the School Board had entered into a collective bargaining agreement with its employees' certified bargaining agent with a duration from July 1, 2011 through June 30, 2014. This bargaining agreement included salary schedules. The agreement will expire prior to the July 1, 2014 deadline by which the School Board is required to establish the two salary schedules described above. Prior to that time, the School Board is prohibited by Florida law from unilaterally changing the salary schedules in the collective bargaining agreements including the unilateral imposition of non-bargained factors to establish differentiated pay.

The audit finding recommends that the School Board "adopt formal policies and procedures for ensuring that differentiated pay of instruction personnel is appropriately identified on salary schedules" consistent with the statute. The adoption of such policies or procedures is not required by the statute, however. Rather, the statute simply provides that the two salary schedules, along with provisions for differentiated pay, by established. The only mechanism for this to occur is through the collective bargaining process. As the School Board's employees have a constitutional right to collectively bargain their wages, the School Board cannot, absent utilizing statutory impasse procedures, unilaterally impose any terms involving its employees' wages through the enactment of policy or otherwise. Moreover, the unilateral enactment of a specific policy on this mandatory subject of bargaining would be unwise because (a) it could be used as evidence of an unfair labor practice if the Board were to refuse to bargain the position articulated in its policy, or (b) it would outline the Board's strategic aims for bargaining prior to the beginning of bargaining sessions thereby making achieving its aims more difficult. In any event, the adoption of such a policy is not a requirement pursuant to the statute.

Finding #3 – Cash Controls: Electronic Funds Transfers

The District will develop, adopt and implement written policies and procedures regarding electronic funds transfers including the use of electronic signatures. The District will also modify any current policies and procedures that include reference to electronic funds transfers.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding #4 – Cash Controls: Food Service Collections

The District took immediate action upon receiving notification of this deficiency. The Food Services Policies and Procedures Manual was immediately updated and all changes were reviewed with appropriate food service personnel at a workshop conducted on October 26, 2012. This information and a copy of the updated sections of the manual were provided to your office.

Finding #5 – Facilities Administration and Monitoring: Construction Administration

The District shall amend its procedures over subcontractor bids as follows:

A specific date and time shall be set by the construction management entity (CME) to receive bids from subcontractors to ensure they are received in a timely manner. The District project manager shall monitor the process to ensure accuracy and fairness. The CME shall then review the bids for accuracy and scope, and tabulate the bids in the presence of the district project manager to determine the low responsive bidders. Once this task is completed, the CME shall prepare the guaranteed maximum price (GMP) with associated backup information for review and approval by the district project manager and the Director of Construction Services.

Finding #6 – Confidential Information: Social Security Numbers

The District has taken steps to enhance controls for compliance with Section 119.071(5)(a), Florida Statutes. The District added the Statement on the Collection, Use or Release of Social Security Numbers of Students and/or Parents within the Educational Records Section of the 2012-2013 Student and Family Handbook. In addition, on August 14, 2012, the Human Resources Department sent out a memorandum and attachment entitled Statement on the Collection, Use or Release of Social Security Numbers of Employees and Others, to all Board appointed and substitute personnel. Every new employee is now provided this Statement during the orientation process. This Statement will also be included in the Employee Handbook which is currently being revised and updated. The Student and Family Handbook as well as the Employee Handbook are available online on the District's website and in hard copy format.

Finding #7 – Insurance: Workers' Compensation Self-Insurance Plan

The District will implement a procedure to have an independent bill audit of the Workers' Compensation third party administrator conducted on an annual basis to improve the monitoring of these expenses. The District is also in contact with the third party administrator to resolve the $29,840 item in question.

Finding #8 – Adult General Education Classes

Clerical staff at the Adult Education Office will be trained to red flag the files of any student who changes their hours of instruction or changes programs. These files will be reviewed by a supervisor who will check with IT for accuracy before the files are complete.

The IT department will put in place reporting mechanisms that will capture suspect hours. IT will provide a report four times per year to the adult education office. The reports will be generated prior to the districts submission of AGE survey data to Florida Department of Education (DOE). This report will show students enrolled in all adult education courses whose instructional hours

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

appear to be excessive based on DOE's reporting requirements. The adult education office will review files of the students who appear to have excessive hours and make changes as needed.

Finding #9 – Workforce Development Funds

The Sarasota County Technical Institute (SCTI) provides instructional programs to both adult students and K-12 students. To ensure that workforce development funds are properly expended on adult programs in the future, the District has modified its procedures. A review will be performed each year to determine the percentage of adult and K-12 student FTE being served by programs at SCTI as a factor to allocate support services between the various operations at SCTI. For the 2011-2012 fiscal year, the percentage of K-12 student FTE allocable to programs at SCTI was 25.6%. This percentage has been applied to all 2012-2013 fiscal year support service expenditures that were previously charged 100% to workforce development. The process was reviewed by your office and copies of all backup documentation supporting this information were also provided.

Finding #10 – Information Technology: Access Privileges

The District will document the procedures for granting access privileges based on employees' responsibilities within their job function. Annual reviews of employee access will be completed to ensure inappropriate or unnecessary access is removed when appropriate. Estimated completion date: 6/30/13

Finding #11 – Information Technology: Timely Deactivation of Access Privileges

The District will document appropriate procedures for all former employees in regards to termination of their access privileges. This documentation will include the procedures for when an account needs to remain active for a specified period of time after the employee is no longer with the District. Estimated completion date: 6/30/13

Finding #12 – Information Technology: Written Policies and Procedures

The District will establish written policies and procedures for all identified areas in Information Technology functions. These policies and procedures will be published for District personnel to access and reference when appropriate and/or necessary. Estimated completion date: 8/31/2013

Finding #13 – Information Technology: Security Awareness Training Program

The District will implement a Security Awareness Training Program that educates all employees of their security responsibilities. All District employees will be required to accept the Acceptable Use Policy that reinforces the information learned in the training program. Estimated completion date: 9/15/2013

Finding #14 – Information Technology: Security Incident Response Plan

The District will document a security incident response plan that outlines the steps taken to respond to events that have the potential to jeopardize the confidentiality, integrity, and/or availability of data and IT resources. Estimated completion date: 9/30/13

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding #15 – Information Technology: Security Controls – User Authentication, Data Loss Prevention and Logging and Monitoring

The District will implement appropriate controls related to user authentication and network security to ensure the continued confidentiality, integrity, and availability of data and IT resources. Estimated completion date: 9/30/13

If you have any questions or need further clarification, please do not hesitate to contact myself or Mitsi Corcoran, Chief Financial Officer at (941) 927-9000 ext. 31300.

Sincerely,

Lori M. White
Superintendent

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