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VIRTUAL INSTRUCTION PROGRAMS

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

VIRTUAL INSTRUCTION PROGRAMS

The Commissioner of Education and the 12 Superintendents of Schools and 2 Virtual Instruction Program provider officials who served during the period July 1, 2010, through June 30, 2012, and who were included in the scope of the audit are listed below:

Commissioners of Education	
Gerard Robinson	From July 29, 2011
John Winn, Interim	June 10, 2011, to July 28, 2011
Dr. Eric J. Smith	November 30, 2007, to May 31, 2011

Superintendents of Schools	School Districts
Dr. W. Daniel Boyd, Jr.	Alachua
Dr. Brian T. Binggeli	Brevard
Robert Runcie Donnie Carter, Interim James F. Notter	Broward From October 5, 2011 July 1, 2011, to October 4, 2011 August 7, 2007, to June 30, 2011
Wilson T. McClellan	Calhoun
William E. Pratt-Dannals	Duval
Wayne Aldrich	Glades
MaryEllen Elia	Hillsborough
Lee W. Miller	Jackson
Jackie Pons	Leon
Alberto M. Carvalho	Miami-Dade
Dr. Sherrie B. Nickell Dr. Gail F. McKinzie	Polk From November 1, 2010 November 16, 2004, to October 31, 2010
Dr. Margaret A. Smith	Volusia

Virtual Instruction Program Providers	
Vin Riera, President and CEO	PLATO Learning, Inc. (EdOptions)
Ron Packard, CEO and Founder	K12, Inc.

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VIRTUAL INSTRUCTION PROGRAMS

SUMMARY

This audit focused on the administration and oversight of the State's virtual instruction programs (VIPs) and compliance with selected provisions in Sections 1002.45 and 1002.455, Florida Statutes. Audit procedures were performed at the Department of Education (Department), 12 of the 67 Florida school districts (Alachua, Brevard, Broward, Calhoun, Duval, Glades, Hillsborough, Jackson, Leon, Miami-Dade, Polk, and Volusia), and 2 of the Department-approved VIP providers (K12, Inc., and PLATO Learning, Inc. [EdOptions]).

As noted in the BACKGROUND section of this report, school districts have multiple options of providing students with opportunities to participate in VIPs, including contracting with the Florida Virtual School (FLVS) or establishing a franchise of FLVS. In conjunction with performing certain audit procedures related to background screenings, teacher certifications, and contracts between the school districts and approved providers, we also reviewed and tested selected school district records involving Florida Virtual School Full Time (FLVS FT) and FLVS franchises.

Our audit disclosed areas in which enhancements in VIP administrative rules, controls, and operational processes were needed to better promote and encourage accountability, compliance with controlling laws, economic and efficient operations, and the safeguarding of assets. Our audit also disclosed instances of noncompliance with State laws and deficiencies in VIP information technology (IT) controls and practices.

In anticipation of the continuing expansion of VIPs in Florida, the results of our audit procedures at the Department, 12 selected school districts, and 2 VIP providers should be reviewed by management of all school districts in the State to enhance their applicable VIP administration, controls, and procedures necessary for the proper oversight of established VIPs.

DEPARTMENT OF EDUCATION

STATE BOARD OF EDUCATION RULES AND STATUTORY RECOMMENDATIONS

Finding No. 1: We recommend that rules be adopted to provide a standard provider contract template for use by the school districts. Such a template should include all contract elements required by Section 1002.45, Florida Statutes, as well as other provisions that would better enhance the integrity and accountability of the State's VIPs and VIP resources. Additionally, the Legislature should consider clarifying the intent of Section 1002.45(3)(d), Florida Statutes, as it relates to providing computing resources to VIP students.

STATEWIDE MONITORING OF VIP PROVIDER STUDENT-TEACHER RATIOS

Finding No. 2: The Department, in conjunction with school districts, should work to establish a mechanism for reporting and analyzing detailed VIP provider student and teacher information to effectively monitor the individual districts' and the Statewide reasonableness of student-teacher ratios.

SCHOOL DISTRICTS

VIP POLICIES AND PROCEDURES

Finding No. 3: Some school districts should enhance their controls over VIP operations and related activities by developing and maintaining comprehensive, written VIP policies and procedures.

PROVIDER CONTRACTS

Finding No. 4: Some school districts' VIP provider contracts were deficient in that the contracts did not include, contrary to State law, agreed-upon student-teacher ratios, the providers' responsibilities for VIP debt, termination clauses, and other measures to promote effective VIP processes.

VIRTUAL INSTRUCTION OPTIONS

Finding No. 5: **Some school districts that were not in sparsely-populated counties should enhance their procedures to ensure that, in the future, the required number of VIP options provided for in law are offered.**

WRITTEN PARENTAL NOTIFICATIONS

Finding No. 6: **Records at some school districts did not evidence that timely written notifications were provided to parents about student opportunities to participate in VIPs and the dates of the open enrollment periods.**

BACKGROUND SCREENINGS

Finding No. 7: **Records at some school districts did not evidence that required background screenings were performed for all VIP employees and contracted personnel.**

STUDENT ELIGIBILITY

Finding No. 8: **Control procedures for participation in VIPs at some school districts did not always require documented evidence of the eligibility of all students enrolled in VIPs.**

STUDENT COMPULSORY ATTENDANCE

Finding No. 9: **Some school districts' control procedures did not always require documented verification that VIP students complied with compulsory attendance requirements.**

COMPUTING RESOURCES

Finding No. 10: **Some school districts' control procedures should be enhanced to ensure that VIP students and their parents are notified about the availability of computing resources, that only qualified VIP students are provided these computing resources, and that accountability for the computing resources is maintained.**

INSTRUCTIONAL MATERIALS

Finding No. 11: **Some school districts had not established control procedures to document in the school districts' records that VIP students received all necessary VIP instructional materials.**

TEACHER CERTIFICATION

Finding No. 12: **Some school districts' control procedures should be improved to ensure that individual teachers can be readily identified to the courses taught and that VIP instructional staff are Florida-certified teachers under Chapter 1012, Florida Statutes.**

VIP FUNDING

Finding No. 13: **Some school districts' control procedures should be improved to ensure that only students who are eligible for VIP funding (i.e., those students with successful completions) are reported for VIP funding and that documentation of the underlying course work is maintained to support that reporting.**

VIP PROVIDERS

FLORIDA ADMINISTRATIVE LOCATIONS

Finding No. 14: **The Legislature should consider amending Section 1002.45(2)(a)3., Florida Statutes, to clarify the intended purposes of the VIP providers' Florida administrative offices and establish applicable minimum requirements for the offices' operations.**

VIP PROVIDER – K12, INC.

AVAILABILITY OF K12, INC., RECORDS

Finding No. 15: **During the course of our audit, K12, Inc., management did not always provide our audit team with complete and timely access to information requested. Our ability to access this information in an efficient and timely manner was crucial to achieving our audit objectives.**

K12, INC., DATA QUALITY

Finding No. 16: **Some detailed electronic records and supplementary metadata (information necessary for us to interpret and analyze data, including file layouts and definitions, record counts, delimiting characters, and control totals) were, upon audit request, either not provided by K12, Inc., not provided timely, or contained data anomalies, precluding us from using the data for further analysis. In addition, K12, Inc., has not obtained an independent service auditor's report related to controls designed and established for its VIP customers.**

SECURITY CONTROLS – USER AUTHENTICATION

Finding No. 17: **Certain K12, Inc., security controls related to user authentication needed improvement.**

ACCESS MANAGEMENT

Finding No. 18: **Some inappropriate or unnecessary IT access privileges existed at K12, Inc.**

DISASTER RECOVERY PLANNING

Finding No. 19: **K12, Inc., had not developed and tested a written disaster recovery plan for the restoration of critical VIP processing or recovery of the corresponding data files, including school and operational data.**

PERFORMANCE MONITORING AND BACKUP PROCESSES

Finding No. 20: **K12, Inc., had not established comprehensive written policies and procedures for monitoring VIP computing infrastructure performance or backup processes for critical programs or data.**

BACKGROUND SCREENINGS

Finding No. 21: **K12, Inc., did not provide, upon audit request, background screenings for some employees. Additionally, K12, Inc., did not perform background screenings for some employees or periodic rescreenings for all existing employees.**

VIP PROVIDER - EDOPTIONS

EDOPTIONS DATA QUALITY

Finding No. 22: **Some detailed electronic records provided upon audit request by EdOptions contained data anomalies, precluding us from using the data for further analysis. In addition, EdOptions has not obtained an independent service auditor's report related to controls designed and established for its VIP customers.**

SECURITY CONTROLS – USER AUTHENTICATION AND PROTECTION OF CONFIDENTIAL AND SENSITIVE INFORMATION

Finding No. 23: **Certain EdOptions security controls related to user authentication and the protection of confidential and sensitive information needed improvement.**

ACCESS MANAGEMENT

Finding No. 24: **Some inappropriate or unnecessary IT access privileges existed at EdOptions.**

DISASTER RECOVERY PLANNING

Finding No. 25: **EdOptions had not developed and tested a written disaster recovery plan for the restoration of critical VIP processing or recovery of the corresponding data files, including school and**

operational data. In addition, the off-site alternate processing facility was not outside the proximity of the primary data center facility.

PERFORMANCE MONITORING

Finding No. 26: EdOptions had not established written policies and procedures for monitoring VIP computing infrastructure performance.

BACKGROUND SCREENINGS

Finding No. 27: EdOptions had not performed background screenings of employees hired prior to July 29, 2005. In addition, for those employees for whom initial background screenings had been performed, EdOptions had not reperformed the background screenings on a periodic basis. Furthermore, EdOptions had not performed background screenings for its contracted technical workers.

ADDITIONAL MATTER

As of December 2012, K12, Inc. (a for-profit technology-based education company and one of the VIP providers selected for audit), was the subject of an ongoing investigation by the Department relating to teachers and Florida certifications of teachers utilized in the VIPs. The outcome of this investigation and its impact, if any, relative to the operations of K12, Inc., were unknown as of the completion of our audit.

BACKGROUND

Chapter 2008-147, Laws of Florida, effective July 1, 2008, created Section 1002.45, Florida Statutes, requiring each school district to provide eligible students within its boundaries the option of participating in a virtual instruction program. The term *virtual instruction program* (VIP) is defined in Section 1002.45(1)(a)2., Florida Statutes, as a program of instruction provided in an interactive learning environment created through technology in which students are separated from their teachers by time or space, or both. The Legislature has revised Section 1002.45, Florida Statutes, in each Legislative Session subsequent to the creation of this law in 2008.[1]

Pursuant to Section 1002.45(1)(c), Florida Statutes (2010), to provide students with the option of participating in VIPs, a school district may:

- Contract with FLVS that was established pursuant to Section 1002.37, Florida Statutes, to develop and deliver online and distance learning education or establish a franchise of FLVS.
- Contract with an approved provider.
- Enter into an agreement with other school districts to allow the participation of its students in an approved VIP provided by the other school district.

Pursuant to Section 1002.45(1)(c), Florida Statutes (2011), to provide students with additional options of participating in VIPs, a school district may:

- Establish school district-operated VIPs.
- Enter into an agreement with a virtual charter school authorized by the district under Section 1002.33, Florida Statutes.

The term *approved provider* is defined in Section 1002.45(1)(a)1., Florida Statutes, as a provider that is approved by the Department pursuant to Section 1002.45(2), Florida Statutes; FLVS; a franchise of FLVS; or a Florida College System institution. The Department is required to annually publish online a list of providers approved to offer VIPs. Section 1002.45(2), Florida Statutes, describes specific items for which a provider must document its compliance in order to be approved by the Department. If approved, a provider retains its approved status during the three school years after the date of the Department's approval as long as the provider continues to comply with all requirements of Section 1002.45(2), Florida Statutes. (Language was added to this Section by Chapter 2011-137, Laws of Florida, that required each provider approved by the Department for the 2011-12 school year to reapply for approval to provide a part-time program for students in grades 9 through 12.)

Among the specific items for which a provider must document its compliance in order to be approved by the Department and continue to comply with to retain approved status are to locate an administrative office or offices in Florida, require its administrative staff to be Florida residents, and require all instructional staff to be Florida-certified teachers under Chapter 1012, Florida Statutes.

K12, Inc., is a virtual education provider headquartered in Herndon, Virginia, that provides virtual education services to Florida school districts. K12, Inc., has an online portal that serves as a gateway to the two systems used for delivery of virtual education services in Florida. The Online Learning System (OLS) application is used to provide the communication, planning, and attendance record keeping for the K12, Inc., VIP. Additionally, OLS is used to deliver course content for kindergarten through grade 8 students. The K12, Inc., Learning Management System (LMS) application is used for the delivery of course content for grades 9 through 12 students.

[1] Chapters 2009-59, 2010-154, 2011-5, 2011-55, 2011-137, 2011-175, and 2012-192, Laws of Florida.

Educational Options, Inc. (EdOptions), is also a virtual education provider that provides services to Florida school districts. EdOptions was acquired by PLATO Learning, Inc. (PLATO), in November 2011. PLATO is headquartered in Bloomington, Minnesota. Graduation (GRAD) is EdOptions' student information system connecting teachers, students, and courses. GRAD is the repository for students' final grades and communications. Through GRAD, students directly connect to the Stars Suite® learning management system. The Stars Suite® enables the interactions between teachers and students and provides the environment for completing, submitting, and grading course assignments. In November 2012, PLATO changed its name to Edmentum, Inc.

Students enrolled in a VIP are funded through the Florida Education Finance Program (FEFP). Individual students are equated to a numerical value known as an unweighted full-time equivalent (FTE). However, unlike the traditional concept of funding based on students being present during survey periods, funding for VIPs is based on the concept of successful completions. For students in kindergarten through grade 5, an FTE student successfully completes a basic program and is promoted to a higher grade level. An FTE student in grades 6 through 12 successfully completes six full credits in specific programs. A student who successfully completes less than six credits will be a fraction of an FTE.

EXHIBITS A and **B** to this report detail the unweighted FTE for virtual education and in total that were reported for FEFP funding for the 2010-11 and 2011-12 fiscal years, respectively. In the 2010-11 fiscal year, FTE for VIPs was reported in School 7001. Beginning with the 2011-12 fiscal year, FTE for Department-approved VIPs was reported in School 7001, while FTE for school district-operated VIPs was separately reported in School 7023. While we realize that the reported unweighted FTE for virtual education is relatively small when compared to the total reported unweighted FTE (approximately 1 percent), the number of virtual education unweighted FTE grew by approximately 6,500 FTE from the 2010-11 fiscal year to the 2011-12 fiscal year. With the 2011 law changes[2] that allowed school districts to enter into agreements with virtual charter schools authorized by the school districts under Section 1002.33, Florida Statutes, and that required students to complete at least one virtual class before they graduate from high school pursuant to Section 1003.428(2)(c), Florida Statutes, VIPs in Florida are expanding.

In October 2011, we released report No. 2012-020, an FEFP examination of FLVS. The objective of that examination was to express an opinion on FLVS's assertion that it complied with State requirements governing the determination and reporting of the number of FTE students under FEFP for the fiscal year ended June 30, 2010. In anticipation of the expansion of VIPs in Florida as described above, the results of our audit procedures at the Department, 12 selected school districts, and 2 VIP providers should be reviewed by management of all school districts in the State to enhance their VIP administration, controls, and procedures necessary for the proper oversight of established VIPs.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT OF EDUCATION

As described in the **BACKGROUND** section of this report, Section 1002.45, Florida Statutes, established school district VIPs and specified that the purpose of VIPs was to make quality virtual instruction available to students using online and distance learning technology in the nontraditional classroom. Section 1002.45(2), Florida Statutes, further requires that all providers seeking to offer a VIP must first be approved by the Department. To be

[2] Chapter 2011-137, Laws of Florida.

approved by the Department, a provider must document that it satisfies the requirements outlined in Section 1002.45(2)(a), Florida Statutes.

Once approved, a provider retains its approved status during the three school years after the date of the Department's approval, as long as the provider continues to comply with all applicable statutory requirements. Additionally, Section 1002.45(2)(b), Florida Statutes, required that each provider approved by the Department for the 2011-12 school year reapply for approval to provide a part-time program for students in grades 9 through 12. Table 1 lists the VIP providers approved by the Department as of May 7, 2012, their respective school year approval periods, and grade levels served.

Table 1
Department-Approved VIP Providers
As of May 7, 2012

Approved VIP Providers	School Year Application Approval Period	Grade Levels Served
Advanced Academics	2010-11 through 2012-13	Grades 6 - 12
EdOptions[1]	2010-11 through 2012-13	Grades 6 - 12
Florida Connections Academy, LLC[2]	2010-11 through 2012-13	Grades K - 12
Kaplan Virtual Education[3]	2010-11 through 2012-13	Grades 6 - 12
K12, Inc.	2010-11 through 2012-13	Grades K - 12
National Network of Digital Schools	2010-11 through 2012-13 2012-13 through 2014-15	Grades 6 - 12 Grades K - 5
Somerset Academy, Inc.	2012-13 through 2014-15	Grades 6 - 12

[1] EdOptions was acquired by PLATO Learning, Inc., in November 2011. Its name was changed to Edmentum, Inc., in November 2012.
[2] Florida Connections Academy, LLC, partnered with FLVS in 2008 to become FLVS FT. In 2011, FLVS FT began accepting students for full-time enrollment, serving full-time students in kindergarten through grade 12 as public school students and grades 6 through 12 as home education students.
[3] Subsequent to the approval of Kaplan's application, Kaplan was acquired by K12, Inc.

Source: Department records.

Section 1002.45(1)(e)1., Florida Statutes, also requires that each school district provide to the Department by October 1, 2011, and by each October 1 thereafter, a copy of each contract and the amounts paid per unweighted full-time equivalent student for all VIP services procured. As of our November 14, 2012, inquiry of Department management, the contract and amounts paid information submitted by school districts for the 2012-13 school year had not been compiled by the Department. However, the Department's December 2011 *Report to the Legislature and Governor Related to Digital Learning* (Report) indicated that, based on information submitted by the school districts in October 2011, base contract prices varied from $1,995 to $4,895 per student for full-time VIPs. The Report further indicated that the price variations were largely attributed to the type of teachers provided (adjunct versus full-time); whether other types of instructional and instructional support staff were provided; and the number, types, and comprehensiveness of courses offered. The Report also disclosed that the average base contract price for a full-time VIP was $4,200 per student. **EXHIBIT C** to this report provides a Department summary, as of October 2011, of VIP contracts by Florida school district.

Finding No. 1: State Board of Education Rules and Statutory Recommendations

Section 1002.45(11), Florida Statutes, states, in part, that the State Board of Education (SBE) shall adopt rules necessary to administer Section 1002.45, Florida Statutes. Pursuant to this authority, SBE has adopted Rule 6A-6.0981, Florida Administrative Code, pertaining to provider approval for VIPs. However, SBE rules have not been adopted related to the administration of the VIPs. Our audit disclosed the following areas in which rules would better enhance the integrity and accountability of the State's VIPs and VIP resources.

Standard Provider Contract Template

Sections 1002.45(2)(a)7. and 1002.45(4), Florida Statutes, mandate that each contract with a Department-approved VIP provider contain certain provisions. More broadly, Section 1002.45(4)(f), Florida Statutes, requires that an approved provider comply with all requirements of Section 1002.45, Florida Statutes. However, as detailed in Finding No. 4, our audit found that certain statutory contract requirements were not always included by the school districts. For example, we noted that school district contracts with approved providers did not always include required information such as student-teacher ratios.

As also described in Finding No. 4, we noted, although not required by State law, that contracts between the school districts and the providers did not always adequately define minimum security control requirements related to the computing resources provided to students participating in VIPs and did not provide for data quality requirements. In addition, the contracts did not provide that the accounts and records of providers be subject to review and audit by the school district and other external parties or that reports made by external parties on the providers' operations be made available to the school districts. Additionally, as detailed in Finding No. 7, our audit found that school district procedures were not always sufficient to ensure that evidence of background screenings were obtained from VIP providers relating to provider employees and contracted personnel.

A standard provider contract template that includes all of the contract provisions required by Section 1002.45, Florida Statutes, and other relevant requirements common to all school districts would enhance the integrity and accountability of the State's VIPs. Development of a standard provider contract template through SBE's rule-making authority would better ensure that statutory requirements and other necessary administrative provisions are adhered to by providers while allowing school districts the continued flexibility to negotiate local contracts with the providers.

Computing Resources

Pursuant to Section 1002.45(3)(d), Florida Statutes, eligible students enrolled in a VIP must be provided with all necessary equipment, such as computers, monitors, printers, and Internet access, for online instruction, unless the student has a computer or Internet access in his or her home. As noted in Finding No. 10, our audit disclosed control deficiencies related to school districts providing appropriate computing resources to eligible VIP students. Specifically, in one instance at the Calhoun County School District, one family with two children who participated in VIPs was provided a computer; however, the family already owned a computer. It was not clear whether Section 1002.45(3)(d), Florida Statutes, intended for each student in a household participating in a VIP be provided with his or her own computing resources or whether the school district had exceeded statutory authority in providing the family with the second computer. Also, as noted in Finding No. 10, some of the school districts' control deficiencies related to the accountability over computing resources provided to students, such as proper documentation to evidence receipt of equipment. Absent clear State guidance, the risk of school districts not appropriately providing eligible students with the equipment needed to participate in VIPs is increased.

Recommendation: We recommend that rules be adopted to provide a standard provider contract template for use by the school districts. Such a template should include all contract elements required by Section 1002.45, Florida Statutes, as well as other provisions such as contract monitoring requirements, data quality requirements, audit requirements, the appropriate provision of computing resources, and the security of all student data to better enhance the integrity and accountability of the State's VIPs and VIP resources. Additionally, the Legislature should consider clarifying the intent of Section 1002.45(3)(d), Florida Statutes, as it relates to the provision of computing resources to VIP students.

Finding No. 2: Statewide Monitoring of VIP Provider Student-Teacher Ratios

Section 1002.45(2)(a)7.e., Florida Statutes, requires that Department-approved VIP providers publish student-teacher ratios and other instructional information in all contracts negotiated with school districts. While this section appears to contemplate the ability of school districts to monitor the reasonableness of student-teacher ratios on a district-by-district basis, the nature of the virtual instruction world compels that a more comprehensive assessment of such ratios be performed on a Statewide basis for all Florida school districts by VIP provider. As disclosed in **EXHIBIT C**, VIP providers may offer services to multiple school districts throughout Florida (e.g., K12, Inc., had VIP contracts with 38 Florida school districts as of October 2011). Additionally, VIP providers may also offer services to more than one state. As a result, VIP teachers may provide instruction to students in more than one school district, thus prohibiting any one school district from effectively monitoring the reasonableness of student-teacher ratios for its district or Statewide.

Our audit further disclosed that the Department and school districts had not established a mechanism for reporting and analyzing detailed student and teacher information for VIPs, including such information as student and teacher names and other identifying data. Consequently, the Department may lack the ability to effectively monitor the reasonableness of student-teacher ratios on a Statewide basis.

As noted in Finding No. 3, we found that school districts did not always have comprehensive, written VIP policies and procedures that, among other things, identified the processes necessary to ensure compliance with statutory requirements and to establish a reliable standard to measure the effectiveness and efficiency of operations. Included among the critical measures for evaluating the effectiveness of VIPs are provider student-teacher ratios. Without such ratios and related thresholds, the number of students in VIP provider classes may exceed school district expectations and impair the quality of educational services delivered.

Recommendation: The Department, in conjunction with school districts, should work to establish a mechanism for reporting and analyzing detailed student and teacher information to effectively monitor the individual district's and the Statewide reasonableness of VIP provider student-teacher ratios.

SCHOOL DISTRICTS

Finding No. 3: VIP Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in VIPs, or other methods. Section 1002.45, Florida Statutes, establishes the requirements for VIPs and requires

school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

The school districts' records (e.g., pupil progression plans, parent guides, and staff and student handbooks) identified certain instruction methods, the basis for eligibility in instructional programs, and enrollment and withdrawal information. Some school districts' personnel indicated to us that these records provided sufficient guidance for VIP processes; however, 11 of the 12 school districts included in our audit tests (Alachua, Brevard, Broward, Calhoun, Duval, Glades, Hillsborough, Jackson, Leon, Polk, and Volusia) did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations. The Miami-Dade County School District did have written procedures addressing student eligibility, enrollment periods, attendance, mandated testing, and other procedures related to VIPs; however, the procedures could be expanded to include more detailed instructions for staff charged with administering VIPs, as well as procedures for other VIP statutory requirements, such as provider contracts, instructional materials, and computing resources.

Written policies and procedures could also provide guidance in monitoring VIP teacher qualifications and certifications. For example, policies and procedures could require school district personnel to confirm the Florida teaching certificates with the Department and to survey a sample of parents to confirm that the contracted VIP teachers were the teachers who provided the services.

To promote compliance with the VIP statutory requirements, documented policies and procedures could evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of school district noncompliance and control deficiencies identified in Finding Nos. 4 through 13. As of November 2012, school district personnel at 3 of the 11 school districts (Duval, Leon, and Polk) indicated that VIP school district policies and procedures were being developed.

Recommendation: School districts should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of their VIP operations and related activities.

Finding No. 4: Provider Contracts

Section 1002.45(4), Florida Statutes, requires that each contract with a Department-approved VIP provider contain certain provisions. For example, contracts must require that approved providers be responsible for all debts of the VIP if the contract is not renewed or is terminated, specify the authorized reasons for contract termination, specify a method for resolving conflicts among the parties, and require the approved provider to comply with all requirements of Section 1002.45, Florida Statutes. As shown on **EXHIBIT C**, a VIP provider was approved for Glades County School District; however, no students elected to enroll in that VIP option for the 2011-12 school year. The remaining 11 school districts included in our audit tests (Alachua, Brevard, Broward, Calhoun, Duval, Hillsborough, Jackson, Leon, Miami-Dade, Polk, and Volusia) entered into a total of 17 contracts with 3 Department-approved VIP providers; however, the contracts contained deficiencies and lacked some statutorily required provisions as discussed below:

- Seven of the contracts (Calhoun = 2, K12, Inc., and EdOptions; Duval = 1, K12, Inc., Hillsborough = 1, K12, Inc.; Jackson = 1, K12, Inc.; Leon = 1, K12, Inc.; and Polk = 1, K12, Inc.) did not require the provider to comply with all requirements of Section 1002.45, Florida Statutes. As this law contains specific program requirements, such as student eligibility and compulsory attendance requirements, excluding such requirements from the contracts may limit the school districts' ability to ensure compliance with these requirements in the event of a dispute.

- None of the 17 contracts (Alachua = 2, K12, Inc., and EdOptions; Brevard = 2, K12, Inc., and EdOptions; Broward = 1, K12, Inc.; Calhoun = 2, K12, Inc., and EdOptions; Duval = 1, K12, Inc.; Hillsborough = 1, K12, Inc.; Jackson = 1, K12, Inc.; Leon = 2, K12, Inc., and FLVS FT; Miami-Dade = 2, K12, Inc., and FLVS FT; Polk = 1, K12, Inc.; and Volusia = 2, K12, Inc., and FLVS FT) included agreed-upon student-teacher ratios. This is contrary to Section 1002.45(2)(a)7.e., Florida Statutes, which requires that Department-approved VIP providers publish student-teacher ratios and other instructional information in all contracts negotiated pursuant to Section 1002.45, Florida Statutes. Further, none of the 11 school districts that contracted with a Department-approved VIP provider established student-teacher ratio thresholds for contracted VIP classes to allow for evaluations of the reasonableness of such ratios. Without establishing such ratios or ratio thresholds in the contracts or documenting evaluations of the reasonableness of the ratios, the number of students in VIP classes may exceed the school districts' expectations and the school districts' abilities to monitor the quality of the providers' virtual instruction may be limited.

- Fifteen of the contracts (Alachua = 2, K12, Inc., and EdOptions; Brevard = 2, K12, Inc., and EdOptions; Broward = 1, K12, Inc.; Calhoun = 2, K12, Inc., and EdOptions; Duval = 1, K12, Inc.; Hillsborough = 1, K12, Inc.; Jackson = 1, K12, Inc.; Leon = 1, K12, Inc.; Miami-Dade = 2, K-12, Inc., and FLVS FT; Polk = 1, K12, Inc., and Volusia = 1, K12, Inc.) lacked a provision requiring providers to be responsible for all debts of the VIP if the contracts were not renewed or were terminated, contrary to Section 1002.45(4)(e), Florida Statutes. The inclusion of such a provision would strengthen the school districts' position in the event of a challenge by a provider.

- Eleven of the contracts (Alachua = 2, K12, Inc., and EdOptions; Calhoun = 2, K12, Inc., and EdOptions; Duval = 1, K12, Inc.; Hillsborough = 1, K12, Inc.; Jackson = 1, K12, Inc.; Leon = 1, K12, Inc.; Miami-Dade = 1, K12, Inc.; Polk = 1, K12, Inc.; and Volusia = 1, K12, Inc.) did not provide for the school districts to monitor the providers' compliance with contract terms. Without provisions in the contracts that require monitoring of the providers' compliance with contract terms, the school districts may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP providers protected the confidentiality of student records and supplied students with necessary instructional materials (see further discussion in Finding No. 11).

- Two contracts (Alachua = 1, EdOptions; and Calhoun = 1, EdOptions) did not specify a method for resolving conflicts and three of the contracts (Calhoun = 2, K12, Inc., and EdOptions; and Jackson = 1, K12, Inc.) did not specify authorized reasons for contract termination, contrary to Sections 1002.45(4)(c) and (d), Florida Statutes, respectively. The lack of these provisions increases the risk that the school districts could incur unnecessary costs should disputes with the providers arise.

- K12, Inc., and EdOptions maintain significant amounts of education data used to support the administration of the VIPs and to meet school district reporting needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by the VIP providers on behalf of school districts be available in a timely manner. Our audit disclosed the following:

  - In the 2009 application with the Department for approval to operate a VIP within the State pursuant to Section 1002.45(2), Florida Statutes, providers were required to attest and document whether their programs meet, among other things, a requirement to report all data accurately and in a timely manner. However, our review of the contracts between each of the school districts included in our audit tests and K12, Inc., or EdOptions disclosed that the contracts included no provisions for data quality requirements. Inclusion of data quality requirements in contracts with VIP providers would help

ensure that school district expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the providers.

- The 2009 application also required providers to describe measures taken to ensure the confidentiality and security of all student data. Three of the contracts (Alachua = 2, K12, Inc., and EdOptions and Calhoun = 1, EdOptions) did not require providers to ensure the confidentiality and security of student records. Without this provision to protect student records, the school districts may be limited in their ability to hold providers responsible if student data is compromised. The remaining school district contracts with K12, Inc., or EdOptions included in our audit tests contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures to the full extent required by Title 20, Section 1232g, United States Code, The Family Educational Rights and Privacy Act (FERPA), in order to maintain the confidentiality of education records. However, the contracts did not specify any minimum required security controls that school districts expected to be in place to protect the confidentiality, availability, and integrity of their critical and sensitive education data. The deficiencies in information security and other IT controls at K12, Inc., and EdOptions described in Finding Nos. 17 through 21 and 23 through 27, respectively, indicate a need for the school districts to specify in their contracts with VIP providers their minimum expectations for the safeguarding of education records.

Recommendation: School districts should establish or enhance procedures to ensure that statutorily required and other necessary provisions are included in their contracts with Department-approved VIP providers.

Finding No. 5: Virtual Instruction Options

Section 1002.45(1)(b), Florida Statutes, requires school districts, under certain conditions, to provide students the option of participating in VIPs. School districts in sparsely-populated counties, eligible for special funding pursuant to Section 1011.62(7), Florida Statutes, must provide students an option to participate in at least one type of virtual instruction and, pursuant to Section 1002.45(1)(b), Florida Statutes, school districts ineligible for the special funding must provide students with at least three options to participate in virtual instruction. The three VIP types must be offered for all grade levels within the school districts' VIPs and may not include contracting with FLVS for direct enrollment by students.

All 12 school districts included in our audit tests provided students the opportunity to participate in virtual instruction. However, 7 of the 12 school districts that were not sparsely populated (Alachua, Brevard, Broward, Duval, Hillsborough, Miami-Dade, and Polk) did not provide students at least three options, contrary to Section 1002.45(1)(b), Florida Statutes, and thus limited student access to the different virtual instruction types. Noncompliance with this statutory provision ranged from the Alachua County School District that provided only one type of virtual instruction for grades kindergarten through 5 and only two types for grades 6 through 12, to the Hillsborough County School District that provided at least three types for grades kindergarten through 5 and 9 through 12 and only two types for grades 6 through 8.

School district personnel indicated that the law's effective date of July 1, 2011, did not allow the school districts enough time to comply with this statutory requirement as the 2011-12 school year began in August 2011. District personnel further indicated that contract negotiations and disagreements with Department-approved VIP providers caused additional delays and fewer VIP options for students.

Recommendation: In the future, school districts that are not sparsely populated should enhance their procedures to ensure that the school districts offer the number of VIP options required by law.

Follow-Up to the Hillsborough County School District Management's Response to Finding No. 5:

The Hillsborough County School District Superintendent's response indicates that the District offered three VIP options for each grade level during the 2011-12 fiscal year, including Florida Virtual School (FLVS). However, students who enroll directly in FLVS are reported for funding as FLVS students and are no longer considered students of the school district of residence and, as such, are not participating in a district-operated VIP. Additionally, questions 15 and 18 in the Department-issued document Florida Public Virtual Schools Questions and Answers (2011-12) state that districts are to provide three options within their district virtual instruction programs and that districts may not contract with FLVS to offer FLVS Full-time or FLVS Classic directly to students as one of the district's required options, respectively.

Finding No. 6: Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in VIPs. Further, Section 1002.45(1)(b), Florida Statutes, which was in effect during the 2011-12 fiscal year, required all school districts to provide parents with timely written notification of the open enrollment periods for their VIPs.

School district personnel for the 12 school districts included in our audit tests indicated that various communication methods were used to provide information about the VIPs to parents and students. Such communication included written notices distributed to students, flyers posted and brochures made available and distributed in school guidance offices and expositions for school choice, information displayed on school district and school Web sites, brochures in county public libraries, newspaper and television advertisements, and a telephone messaging system. While these methods indicate efforts by school district personnel to communicate with parents and students about the VIPs for the 2011-12 school year, school district records did not evidence that written notifications were provided directly to parents of students for 11 of the 12 school districts included in our audit tests (Alachua, Brevard, Broward, Calhoun, Duval, Hillsborough, Jackson, Leon, Miami-Dade, Polk, and Volusia). Also, for two school districts (Broward and Volusia), the VIP communications did not include the dates of the open enrollment periods.

At the Hillsborough County School District, personnel indicated that the notification of the open enrollment period was made on the school district's Web site; however, because the information was purged from the Web site, school district records were unavailable to evidence compliance with the statutory requirement.

Some school district personnel indicated to us that their notification methods complied with the statutory notification requirements and that mailing written notices to all parents was too costly. Also, some school district personnel indicated that the 2010-11 school year ended before the notifications for the 2011-12 school year could be distributed to the students at school. However, without evidence that timely written notification was provided directly to parents, some students may not have been informed of the available VIP options and the associated enrollment periods, contrary to State law and potentially resulting in limited student access to virtual instruction types.

Recommendation: School districts should enhance their procedures to ensure that records evidencing timely written notifications to parents about student opportunities to participate in VIPs and the dates of the open enrollment periods are maintained.

Follow-Up to the Hillsborough County School District Management's Response to Finding No. 6:

The Hillsborough County School District Superintendent's response, indicates, in part, that during the 2011-12 school year, the Hillsborough County Public Schools Choice Options brochure made reference to the "enrollment and application window," and it was noted on the District Web site and in the enrollment documents. The point of our finding as it relates to Hillsborough County School District is that District records were not maintained to evidence these communications for the 2011-12 school year.

Finding No. 7: Background Screenings

Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a condition of approval by the Department as a VIP provider in the State. As discussed previously in Finding No. 4 and shown in **EXHIBIT C**, a VIP provider was approved for Glades County School District; however, no students elected to enroll in that VIP option. Nine of the 11 school districts included in our audit tests (Alachua, Broward, Calhoun, Duval, Hillsborough, Jackson, Leon, Polk, and Volusia) that contracted with Department-approved VIP providers (K12, Inc., EdOptions, and FLVS FT) did not initially receive a list of VIP provider employees for whom the required background screenings were performed. In response to audit inquiry, school district personnel generally indicated to us that they believed the assurances submitted by the VIP providers to the Department as part of the application process were sufficient to evidence that the appropriate background screenings had been performed. The providers indicated in their assurances to the Department during the approval process that such lists would be provided to each applicable school district. Subsequent to our requests, 7 of these 9 school districts (Broward, Calhoun, Duval, Hillsborough, Jackson, Leon, and Volusia) obtained employee lists from the providers; however, the provider's list for the Duval County School District included 11 teachers that did not agree with those teachers shown on the provider's VIP class schedules.

As further discussed in Finding Nos. 21 and 27, our audit disclosed that K12, Inc., and EdOptions, respectively, did not provide evidence of background screenings upon audit request or had not conducted background screenings for some of their employees and contracted personnel. These conditions further indicate the need for school districts to enhance their procedures with regard to obtaining lists from the providers relating to background screenings of VIP provider employees and contracted personnel.

Absent effective school district controls to ensure that background screenings of VIP provider employees and contracted personnel are performed, there is an increased risk that these employees and contracted personnel may have backgrounds that are inappropriate for communicating with students and accessing confidential or sensitive school district data and IT resources.

Recommendation: School districts should enhance their procedures to ensure that the required background screenings are performed for all VIP provider employees and contracted personnel.

Finding No. 8: Student Eligibility

Section 1002.455(1), Florida Statutes, authorizes students to participate in VIPs if they meet certain eligibility criteria as specified in Section 1002.455(2), Florida Statutes, such as attending a Florida public school in the prior school year and being funded by FEFP, being a dependent child of a member of the United States Armed Forces who was transferred within the last 12 months to Florida from another state or foreign country, being eligible to enter kindergarten or first grade, and other qualifying reasons. Based on our testing and review of school district records, 7 of the 12 school districts included in our audit tests generally had appropriate control procedures over VIP student

eligibility; however, eligibility controls should be improved for the remaining 5 school districts (Alachua, Calhoun, Duval, Jackson, and Volusia), as discussed below:

- Although school district personnel at the five school districts indicated that student eligibility was verified prior to enrollment in a VIP, the school districts' records did not evidence the verification of each student's eligibility.
- Our tests of the five school districts' records supporting the eligibility of VIP students disclosed that 33 of the VIP students tested (100 percent) at two school districts (Calhoun and Jackson) met the eligibility requirements; however, for the other three school districts (Alachua, Duval, and Volusia), our tests disclosed that 6 of the VIP students tested (5 percent) were ineligible for VIP services, as follows:
  - Three students were ineligible for a VIP at the Duval County School District. The 3 students attended school in another state during the prior school year, and school district records did not evidence that the students met any of the other statutory eligibility criteria.
  - Two students were ineligible for a VIP at the Alachua County School District. During the prior school year, 1 of the students attended a private school and the other was home schooled in another state, and school district records did not evidence that the students met any of the other statutory eligibility criteria.
  - At the Volusia County School District, records did not evidence that 1 student attended a Florida public school in the prior school year or met any of the other statutory eligibility criteria.

Absent effective control procedures to verify and document student eligibility, there is an increased risk that, contrary to State law, ineligible students may participate in VIPs.

Recommendation: School districts should enhance control procedures for participation in VIPs to require documented evidence of the eligibility of all students enrolled in VIPs.

Finding No. 9: Student Compulsory Attendance

Section 1002.45(6)(a), Florida Statutes, requires each student enrolled in a VIP to comply with the compulsory attendance requirements prescribed in Section 1003.21, Florida Statutes, and requires school districts to verify student attendance. Based on our testing and review of school district records, 8 of the 12 school districts included in our audit tests generally had control procedures to appropriately verify student attendance; however, controls over attendance could be improved at 4 school districts (Alachua, Duval, Jackson, and Volusia), as follows:

- As of March 2012, the Alachua County School District reported 27 students enrolled part-time in a district-operated VIP and their traditional schools documented verification of attendance for those students. As of that date, the school district also reported 44 students enrolled full-time in a contracted VIP (K12, Inc., and EdOptions); however, school district records did not evidence verification of daily attendance for those 44 students.
- As of February 2012, the Duval County School District enrolled 366 students full-time and 59 students part-time in a district-operated VIP and 81 students full-time in a contracted VIP. Teachers recorded student attendance based on completion of weekly assignments and, for excused absences, school district policy required students to complete missed assignments. If a student had ten or more unexcused absences, the student was required to meet with an attendance intervention team (AIT) and be placed on an academic success plan. If absent from the scheduled AIT meeting, the student was required to transfer from the VIP to traditional classroom instruction, however:
  - Our review of attendance records for 21 students enrolled in the district-operated VIP disclosed 11 students with more than ten unexcused absences from an individual course and school district records for 4 of the 11 students did not evidence that the students had been placed on academic success

plans or that the students had been transferred from the VIP to traditional classroom instruction for nonattendance. For the remaining 7 students with more than 10 unexcused absences, school district personnel indicated that the students were in attendance for one or more other courses the same day as the unexcused absences and were not considered absent. School district personnel indicated that students were allowed to miss certain courses and not be considered absent if students focused their time and effort on the other courses as long as all course work was eventually completed by the end of the term. However, this is not consistent with school district policy and school district records did not evidence that the 7 students met the VIP compulsory attendance requirements.

- For the contracted VIP, school district personnel indicated that student attendance was monitored online based on attendance records submitted by the Department-approved VIP provider (K12, Inc.); however, the school district could not provide records evidencing such monitoring or verification of student attendance.

- As of January 2012, at the Jackson County School District, 15 students were enrolled full-time in a contracted VIP. The school district's Department-approved VIP provider (K12, Inc.) maintained attendance records, consisting of logon reports that evidenced the date, time, and duration students were logged on to the provider's system. The school district received these logon reports periodically to monitor student attendance. However, our review of logon reports for the 15 students disclosed 1 student who had not logged on during our test month of January 2012. Further, our expanded tests on February 19, 2012, disclosed that the student had not logged on to the provider's system at any time during the school year. School district personnel indicated that they were aware of this inactivity and had contacted the parents but that the student had until June 30, 2012, to accomplish the course goals. Subsequent to our initial inquiry, school district personnel provided attendance records that indicated the student logged on and performed virtual instruction work for six different courses from February 23, 2012, to April 5, 2012. However, the school district's records did not evidence that the student satisfied the VIP compulsory attendance requirements.

- During the 2011-12 fiscal year, the Volusia County School District enrolled 383 students part-time in a district-operated VIP and 1 student part-time and 147 students full-time in a contracted VIP, however:

  - Our tests of 12 students enrolled in the district-operated VIP disclosed that the school district did not maintain attendance data for 7 students. According to school district records, this occurred, in part, because certain courses were inadvertently excluded from the attendance reports when the courses were initially established for the 2011-12 school year. Since these students were enrolled part-time in a district-operated VIP and attended traditional schools, attendance reports only indicated that they attended school for the traditional school courses. The records did not evidence attendance for the VIP courses. Subsequent to our inquiry, the school district revised attendance reports to include all courses.

  - The school district did not provide evidence that attendance reports from the Department-approved VIP provider (K12, Inc.) were used for attendance verification for students in the contracted VIP. As such, school district records did not evidence compliance with the VIP compulsory attendance requirements.

Absent effective procedures to verify student attendance and records documenting such verification, VIP students may not be satisfying the statutorily required compulsory attendance requirements.

Recommendation: School districts should establish control procedures to require a documented verification that students enrolled in VIPs have complied with compulsory attendance requirements as prescribed by State law.

Finding No. 10: Computing Resources

Section 1002.45(3)(d), Florida Statutes, requires that VIPs provide qualified students enrolled in a VIP with all necessary equipment, such as computers, monitors, and printers, and Internet access for online instruction. To qualify for these computing resources, the VIP students must be full-time, eligible for free or reduced price school lunches, and not have a computer or Internet access in his or her home. However, at 8 of the 12 school districts included in our audit tests (Alachua, Broward, Calhoun, Duval, Hillsborough, Jackson, Miami-Dade, and Volusia), control deficiencies were noted in procedures used to communicate the availability of, and provide computing resources to, qualified VIP students, as discussed below:

- At 7 school districts (Alachua, Broward, Calhoun, Duval, Jackson, Miami-Dade, and Volusia), signed certifications or other records were not maintained to evidence that students who received computing resources for the VIPs did not already have computer equipment or Internet access at home.
- At 4 school districts (Broward, Calhoun, Duval, and Volusia), school district personnel indicated that they verbally notified families during the application and enrollment process of the availability of computing resources to qualified students, but no documentation was maintained to evidence the notifications. Duval County School District informed us that brochures were distributed to families offering discounted prices on computer equipment and Internet services to students eligible for free or reduced price school lunches. However, pursuant to law, these computing resources were required to be provided free to qualified students. Additionally, for this school district, the school choice catalog for the 2012-13 school year indicated that students must have access to a computer, reliable Internet, and printer for participation in a VIP but did not address the availability of computing resources for qualified students.
- At 2 school districts (Alachua and Hillsborough), applications for certain VIP options included questions regarding household income and ownership of computers, the responses to which could be useful in determining whether applicants might qualify for VIP computing resources. However, school district personnel indicated that they did not use these responses to determine whether applicants qualified for VIP computing resources but instead relied on input from Department-approved VIP providers and requests from parents. Relying on such input to determine applicants' qualifications for VIP computing resources may not have met the requirements of State law.
- School district records for two students (Calhoun - 1 and Duval - 1) did not evidence that the school districts physically delivered VIP computing resources to the students during the 2011-12 school year. Duval County School District personnel indicated that the student was required to sign documentation to evidence receipt of the equipment, but the documentation was unavailable because school district personnel relocated to other administrative offices. While personnel at the Calhoun County School District provided a document signed by school district information technology personnel attesting that the equipment was successfully delivered and installed at the student's home, the student's parent did not sign the document to evidence receipt. Additionally, the document provided did not identify the assigned school district property number or the equipment's serial number. These noted documentation issues lessen accountability for the provided computer resources.
- The Broward County School District provided VIP computing resources to two students who were not eligible for free or reduced price school lunches, contrary to Section 1002.45(3)d., Florida Statutes. School district personnel indicated that the resources were provided because the students' computers were not compatible with the software used by the school district's VIP. However, pursuant to State law, having incompatible software is not a qualifying requirement stated for a student to receive VIP computing resources.
- The Jackson County School District's contract with its Department-approved VIP provider (K12, Inc.) indicated that the provider would determine student computing resources needs; however, school district records did not evidence that the provider or the school district made a determination of such needs.
- At the Calhoun County School District, one family with two children who participated in VIPs was provided a computer. The family already owned a computer and, pursuant to State law, only an eligible

student who does not have a computer or Internet access in his or her home is to be provided VIP computing resources.

Without appropriately notifying parents of students in VIPs of the availability of computer equipment and Internet access, students may not have the computing resources required to successfully complete VIP courses. Further, providing VIP computing resources to students who already have such resources in the home may not meet the qualifying requirements provided in State law.

Recommendation: School districts should enhance control procedures to ensure that VIP students and their parents are properly notified of the availability of computing resources, that only qualified VIP students are provided these computing resources, and that accountability for the computing resources is maintained. In addition, as noted in Finding No. 1, the Legislature should consider clarifying the law that requires the provision of computing resources to VIP students.

Finding No. 11: Instructional Materials

Section 1002.45(3)(c), Florida Statutes, requires that each VIP provide each student enrolled in the VIP with all necessary instructional materials. Based on our review of school district records, 9 of the 12 school districts included in our audit tests generally had control procedures to ensure that VIP students received all necessary instructional materials. However, school district personnel at 3 of the school districts (Alachua, Calhoun, and Duval) indicated that they relied upon the Department-approved VIP providers (K12, Inc., and EdOptions) to ensure that all the necessary instructional materials were appropriately delivered to the VIP students, without independently verifying delivery. Without procedures to verify receipt of all the necessary instructional materials, there is an increased risk that VIP students may not possess the materials necessary to successfully complete VIP course requirements.

Recommendation: School districts should establish control procedures to document in the school districts' records evidence that VIP students receive all necessary instructional materials.

Finding No. 12: Teacher Certification

Section 1002.45(2)(a)3., Florida Statutes, requires all instructional staff of Department-approved VIP providers to be Florida-certified teachers under Chapter 1012, Florida Statutes. Section 1012.55(1), Florida Statutes, provides for SBE to designate certification subject areas, establish competencies and certification requirements for all school-based personnel, and adopt rules within which professional, temporary, and part-time certificates may be issued by the Department. Section 1012.55(1), Florida Statutes, also states that each person in a position serving in an instructional capacity in any public school in any school district within Florida shall hold the certificate required by law and SBE Rules and that such positions include personnel providing direct instruction to students through a virtual environment or through a blended virtual and physical environment.

District school boards may approve school district instructional staff (i.e., a teacher who is a school district employee versus a VIP provider employee) to be assigned teaching duties in a class dealing with subject matter that is outside the field in which the teacher is certified, outside the applicant's minor field of study, or outside the field in which the applicant has demonstrated sufficient subject area expertise, as determined by district school board policy in the subject area to be taught. Pursuant to Section 1012.42(2), Florida Statutes, when this occurs, school districts are required to notify parents of all students in the class in writing of such out-of-field assignment.

Based on our testing and review of school district records, we noted that improvements were needed in school district control procedures relating to VIP instructional staff as follows:

- Seven of the 11 school districts (Alachua – K12, Inc., and EdOptions; Brevard – K12, Inc., and EdOptions; Calhoun – K12, Inc., EdOptions, and FLVS FT; Duval – K12, Inc.; Hillsborough – K12, Inc.; Polk – K12, Inc.; and Volusia – K12, Inc., and FLVS FT) that contracted with a Department-approved VIP provider did not establish procedures of record to confirm that the VIP provider teachers were properly certified.
- A generic teacher identification (ID) number (CS000001) was used for multiple VIP provider teachers at the Alachua County School District. Our testing of school district records disclosed 30 courses that were taught during the 2010-11 school year for which this generic teacher ID was reported. Although school district personnel were able to identify most of the teachers who taught under this generic teacher ID, school district personnel were not able to identify a specific teacher or teachers for 2 of the 30 courses. School district personnel indicated being unsuccessful in obtaining specific teacher information from the provider (K12, Inc.). Accordingly, we could not determine whether the courses were taught by properly certified teachers.
- Although one VIP provider teacher in the EdOptions Online Academy VIP option offered through the Calhoun County School District held a valid Florida certification in English, the teacher taught, but was not properly certified to teach, Art History courses during the 2010-11 and 2011-12 school years.
- One Hillsborough County School District teacher in the FLVS Franchise VIP option taught a Reading course during the 2010-11 school year but did not have the required Reading Endorsement until May 10, 2011.
- One Hillsborough County School District teacher in both the district-operated VIP option and the FLVS Franchise VIP option during the 2011-12 school year taught courses that required certification in Middle Grades General Science but held certification in Middle Grades Integrated Curriculum. Although the teacher taught out of field during most of the 2011-12 school year, the School Board did not grant approval for the teacher to do so until April 10, 2012. Additionally, parents of the students were not sent written notification of the teacher's out-of-field status, contrary to Section 1012.42(2), Florida Statutes.
- Although two VIP provider teachers in the K12, Inc., VIP option offered through the Volusia County School District for the 2010-11 school year held valid Florida certifications in certain subject areas, the teachers were not properly certified to teach certain courses as described below:
  - One teacher taught courses that required certifications in Art, English, Science, and Social Science but held certifications in Elementary Education and Mathematics.
  - One teacher taught a course that required certification in English but held certifications in Elementary Education, Mathematics, and General Science.
- Two additional VIP provider teachers in the K12, Inc., VIP option offered through the Volusia County School District for the 2011-12 school year were not properly certified to teach certain courses as described below:
  - One teacher taught courses that required certifications in Art or Art Education and a district-issued certification for a digital audio production course but held certifications in Elementary Education and Computer Science.
  - One teacher who did not hold a Florida certification taught courses that required certification in Chemistry and Physics. Although the teacher had previously applied for Florida certifications in Educational Leadership in July 2009 and Physics and School Principal in July 2011, the teacher's applications for Florida certifications were on hold pending fingerprint clearance.

The use of generic teacher IDs occurred at multiple school districts; however, the Alachua County School District was the only school district included in our audit tests that was not able to specifically identify all teachers who had been reported under a generic teacher ID. Whenever unique IDs are not used, there is an increased risk that the

school districts will not be able to associate an individual with an action. Also, absent effective procedures to ensure that VIP instructional staff are properly certified teachers, there is an increased risk that students may not receive the level of educational instruction intended and the parents of those students may not be properly notified.

Recommendation: School districts should improve their control procedures to ensure that individual teachers can be readily identified to the courses taught and that VIP instructional staff are properly certified teachers.

Finding No. 13: VIP Funding

Section 1002.45(7)(a), Florida Statutes, provides for students enrolled in a VIP to be funded through FEFP. Individual students are equated to a numerical value known as an unweighted FTE. However, unlike the traditional concept of funding based on students being present during survey periods, funding for VIPs is based on the concept of successful completions. For students in kindergarten through grade 5, an FTE student successfully completes a basic program and is promoted to a higher grade level. An FTE student in grades 6 through 12 successfully completes six full credits in specific programs. A student who successfully completes less than six credits will be a fraction of an FTE.

Based on our testing and review of school district records for the 2010-11 fiscal year, we noted deficiencies in school district control procedures that allowed either ineligible VIP funding or insufficient documentation to support VIP funding as follows:

- At the Broward County School District, two students were reported for VIP funding although the students were withdrawn from the VIP during the school year. Also, one student was reported for funding for a course that did not appear on the student's transcript. This indicates that the course was not successfully completed.
- Although Glades County School District personnel were able to provide final grades indicating successful completions of courses for two students enrolled and funded in the VIP, school district personnel were not able to provide documentation of the underlying course work to support the final grades.
- At the Hillsborough County School District, one student was reported for VIP funding although the student had withdrawn from the VIP during the school year. Also, although school district personnel were able to provide evidence of academic promotion or completion for four students, school district personnel were not able to provide documentation of the underlying course work to support the academic promotions or completions.
- Although one student reported for VIP funding in the Leon County School District VIP received passing grades for grade 3 courses, the student was not promoted to a higher grade level because of the student's Florida Comprehensive Assessment Test (FCAT) score. As previously mentioned, for students in kindergarten through grade 5, a student must successfully complete a basic program and be promoted to a higher grade level to be funded through FEFP.
- At the Miami-Dade County School District, one student was reported for VIP funding although the student had withdrawn from the VIP during the school year.
- At the Volusia County School District, one student was reported for VIP funding for a course that the student failed.

Absent effective procedures over the reporting of students for VIP funding, ineligible students may be reported for funding. Also, when documentation is not maintained to evidence successful completion, school districts cannot adequately demonstrate that the students reported for VIP funding were eligible for that funding.

Recommendation: School districts should improve their control procedures to ensure that only students who are eligible are reported for VIP funding and that documentation is maintained of the underlying course work to support that reporting.

VIP PROVIDERS

Finding No. 14: Florida Administrative Locations

Section 1002.45(2)(a)3., Florida Statutes, states that, for VIP providers to be approved by the Department to offer virtual instruction programs in Florida, the provider must document that it locates an administrative office or offices in Florida. K12, Inc., and EdOptions management indicated that they maintained physical administrative offices in Jacksonville and Vero Beach, Florida, respectively. In response to audit inquiry regarding the function of the administrative office, K12, Inc., management indicated that a Project Manager who worked daily out of the office handled, among other tasks, calls from families and school district VIP administrators, assistance with enrollment, withdrawals, and billing. EdOptions management indicated that the purpose of the Florida office was to perform functions including registering and enrolling students and finalizing student grades.

Our six visits to the K12, Inc., Florida administrative office and four visits to the EdOptions Florida administrative office disclosed that the offices were not open to the public at the times of our unannounced visits, with the exception of two visits to K12, Inc. Our visits were made during the providers' normal operating hours. We further learned that for at least five months before moving its Florida office from Vero Beach to Wellington in July 2012, EdOptions did not maintain a Florida administrative office, contrary to State law.

Based on our observations and discussions with VIP providers, clarification in law may be needed with regard to the intended purposes of the VIP providers' administrative offices located in Florida, what activities are expected to occur at the offices, and how frequently the offices should be open and available to the public. Clarifying the intended purposes of these Florida administrative offices and establishing applicable minimum requirements for their operation may enhance the accountability of the VIP providers in serving their Florida customers in a manner consistent with legislative expectations.

Recommendation: The Legislature should consider amending Section 1002.45(2)(a)3., Florida Statutes, to clarify the intended purposes of the VIP providers' Florida administrative offices and establish applicable minimum requirements for the offices' operations.

VIP PROVIDER – K12, INC.

Finding No. 15: Availability of K12, Inc., Records

Section 11.45(3)(x), Florida Statutes, provides that the Auditor General may, pursuant to his or her own authority, or at the direction of the Legislative Auditing Committee, conduct audits or other engagements as determined appropriate by the Auditor General of virtual education providers receiving State funds or funds from local ad valorem taxes.

Government Auditing Standards, issued by the Comptroller General of the United States, require that auditors obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions. During the course of our audit, K12, Inc., management did not always provide our audit team with complete and timely access to

information requested. Our ability to access this information in an efficient and timely manner was crucial to achieving our audit objectives. Examples of K12, Inc., management's failure to provide information or records upon audit request in a timely manner included, but were not limited to, our requests for a listing of the contact information for their board of directors for purposes of sending our engagement letter, copies of teacher certifications for certain individuals selected for testing, copies of background checks for certain individuals selected for testing, data regarding network and database user access privileges that was required for us to evaluate the appropriateness of the access privileges, copies of network and database security settings for our evaluation, and data related to Florida's students as discussed further in Finding No. 16 below. In addition, K12, Inc., management did not provide us with its external auditor's report on the effectiveness of the company's internal control over financial reporting (i.e., Sarbanes-Oxley or SOX report) for review upon audit inquiry.

K12, Inc., management's delays in providing or failure to provide the above-described information impeded the audit process and, in some cases, because of the excessive delays in K12, Inc., providing access to the information requested, there were inadequate assurances that the documentation existed at the time of our initial audit request.

Recommendation: In future audits of K12, Inc.'s, administration and operation of Florida VIPs, management should, upon audit request, timely provide information and records to facilitate a complete and timely audit.

Finding No. 16: K12, Inc., Data Quality

In anticipation of Florida's expansion of VIPs and to evaluate instructional and curricular quality provided through the State's chosen providers, one of our audit objectives was to perform analytical procedures using data maintained by K12, Inc., including student-teacher ratios, student turnover, and course duration in relation to progress. As a part of our audit, we requested K12, Inc., to disclose to us the student, teacher, and class data that they could provide in electronic format and, subsequently, we requested detailed electronic records for all students who had enrolled in a course with K12, Inc., in Florida since July 1, 2010. In addition to the detailed electronic records, we also requested supplementary metadata (information necessary for us to interpret and analyze the K12, Inc., data, including file layouts and definitions, record counts, delimiting characters, and control totals).

As previously discussed in Finding No. 15, K12, Inc., did not provide the requested data in a timely manner and did not provide requested supplementary metadata. We received data files from K12, Inc., on July 20, 2012, which was 140 days from the date of our initial questions to K12, Inc., on March 2, 2012, regarding the data. Notwithstanding the significant delay in receiving the data files and the lack of supplementary metadata, we performed an analysis of the data provided. However, the lack of requested supplementary metadata that was necessary for an accurate understanding of the structure of and relationships among the K12, Inc., data files precluded a consistent and reliable analysis of the data. Additionally, we noted anomalies in the content of certain data that caused us to question its quality and reliability, as described below:

- Students with addresses or mailing addresses outside of Florida.
- Students aged 4 and under.
- Students aged 21 and over.

In response to audit inquiry, on November 1, 2012, K12, Inc., management indicated that they had not provided us with a data field relating to student enrollment that would have indicated whether the student was currently a valid student in the VIP. While invalid students should not have been included in the K12, Inc., response to our data

request, the inclusion of this field and provision of the supplementary metadata defining the structure and relationship of the data provided would have allowed us to exclude these students from analysis.

In addition, K12, Inc., has not obtained an independent service auditor's report related to its controls designed and established for the VIPs. A service auditor's report, as described by the American Institute of Certified Public Accountants (AICPA), Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization* (SSAE No. 16), formerly referred to as a Statement on Auditing Standards (SAS) No. 70 report, provides information and auditor conclusions related to a service organization's controls. Service organizations make service auditor's reports available to user organizations to provide assurances related to the effectiveness of the service organization's relevant internal controls. Service auditor's reports under AICPA professional standards for attestation engagements and related guidance include, among others, a service organization controls (SOC) 2 report that addresses controls at a service organization relevant to security, availability, processing integrity, confidentiality, or privacy.

We recognize the data challenges presented to K12, Inc., in serving its numerous customers. As K12, Inc., provides VIP services to many states and numerous school districts within the states, these customers must have confidence that K12, Inc.'s, data is organized and recorded correctly for each customer. Without a service auditor's report, K12, Inc., may be answering similar concerns and questions from the various customer auditors as routine audits on those customers are performed.

Recommendation: K12, Inc., management should ensure that sufficient, reliable, and complete electronic records and supplementary metadata are made available on a timely basis upon audit request to facilitate the performance of analytical procedures in connection with future audits of its performance in administering and operating VIPs for Florida school districts. K12, Inc., management's demonstration of compliance with various laws and controls over its technology-based education programs and data would be enhanced by routinely obtaining an independent service auditor's report on the effectiveness of controls relevant to the security and integrity of data established for its VIP customers.

Finding No. 17: Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain K12, Inc., 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 K12, Inc., customer entity data and IT resources. However, we have notified appropriate K12, Inc., management of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of VIP data and IT resources may be compromised.

Recommendation: K12, Inc., should improve security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of customer entity data and IT resources.

Finding No. 18: Access Management

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors' access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibility.

Our tests of selected access privileges to the OLS and LMS databases disclosed two contractors with LMS database accounts that were no longer necessary for their job responsibilities and one LMS database account used for application testing that had database administrator privileges. In addition, an OLS database account used for quality assurance testing was no longer necessary. In response to audit inquiry, K12, Inc., management removed the database accounts. These inappropriate access privileges did not enforce an appropriate separation of duties and increased the risk of unauthorized disclosure, modification, or destruction of VIP data and IT resources.

Recommendation: K12, Inc., should periodically review the appropriateness of access privileges granted to database accounts and timely remove any inappropriate access detected.

Finding No. 19: Disaster Recovery Planning

The availability and reliability of a VIP provider's computing infrastructure is critical to its successful operation of Florida VIPs. Accordingly, it is essential that VIP providers maintain effective disaster recovery plans to help minimize data and asset loss in the event of a major hardware or system failure or data center outage. A disaster recovery plan should identify the critical applications to be restored, identify the backup and storage of critical data files, and provide a step-by-step plan for recovery, including identification of personnel responsible for recovery activities. In addition, the plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

K12, Inc., had not developed and tested a written disaster recovery plan for the restoration of critical VIP processing or recovery of the corresponding data files, including school and operational data. These conditions may limit the ability of K12, Inc., to efficiently and effectively continue operations with minimal loss of data or assets in the event of a processing disruption. In response to audit inquiry, K12, Inc., management indicated that they had engaged SunGard, beginning in February 2012, to develop a business continuity and disaster recovery plan. The contract runs through the end of 2012 with the business continuity plan expected to be completed by early March 2013.

Recommendation: K12, Inc., should continue to develop a written disaster recovery plan and upon completion, K12, Inc., should conduct periodic testing of the plan to promote readiness and prevent omission of key procedures.

Finding No. 20: Performance Monitoring and Backup Processes

Ongoing IT performance monitoring helps ensure that sufficient performance and capacity exist to minimize the risk of service disruption because of insufficient capacity or performance degradation. Backup procedures help ensure that critical data is still available in the event the primary source is lost.

Our audit disclosed that although K12, Inc., monitored the performance of the VIP computing infrastructure, it had not established written policies and procedures for performance monitoring. Absent written policies and procedures, the risk is increased that performance may not be monitored consistently and in a manner pursuant to management's expectations and that capacity or performance problems, should they occur, may not be timely detected and corrected.

Our audit further disclosed that K12, Inc., had not established comprehensive written policies and procedures defining the process used for the backup and restoration of critical programs and data. For example, the procedures

provided by K12, Inc., upon audit request, lacked a description of who is responsible for performing backups, what is backed up, and how often backups occur. Without written policies and procedures, the risk is increased that backups may not be performed consistently and in a manner consistent with management's expectations.

Recommendation: K12, Inc., should establish comprehensive written policies and procedures for performance monitoring and backup processes.

Finding No. 21: Background Screenings

Effective security controls include the performance of security background screenings for new employees and the periodic reperformance of screenings for existing employees who are in sensitive or special trust positions. Such positions typically include IT employees with elevated access privileges or responsibilities for the custody of sensitive IT resources.

According to K12, Inc., management, although all new hires, including technical staff and teachers, were subjected to Florida and national background screenings, employees hired prior to 2007 had not been subjected to security background screenings. Additionally, once the initial background screenings were performed, background screenings were not reperformed on a periodic basis. Upon audit request, K12, Inc., declined to provide background screening documentation for 13 of 27 (48 percent) K12, Inc., employees included in our sample of technical staff and Florida teachers, citing employee privacy concerns. None of the 13 employees for whom K12, Inc., declined to provide background screening documentation were teachers. Of the remaining 14 employees, 1 employee's background screening documentation was incomplete and 5 employees' background screenings had not been performed by K12, Inc., because, according to K12, Inc., management, the employees had been hired prior to 2007. Of the 5 employees, 2 were teachers for whom background screenings had been previously performed by the Florida school districts and were provided to K12, Inc., by the teachers subsequent to our request for documentation of the background screenings. Subsequent to audit request, K12, Inc., provided the background screenings for these 6 employees. For 5 of the employees, the background screenings were performed after our audit inquiry.

The absence of background screenings or periodic rescreenings increases the risk that individuals with criminal records may be employed in positions of special trust or responsibility (i.e., technical staff or teachers) and gain access to students or to confidential or sensitive school district data and IT resources.

Recommendation: K12, Inc., should ensure that background screenings have been completed for all of its employees and that background screenings are reperformed on a periodic basis.

VIP PROVIDER - EDOPTIONS

Finding No. 22: EdOptions Data Quality

In anticipation of Florida's expansion of virtual instruction programs and to evaluate instructional and curricular quality provided through the State's chosen providers, one of our audit objectives was to perform analytical procedures using data maintained by EdOptions including student-teacher ratios, student turnover, and course duration in relation to progress. As a part of our audit, we requested EdOptions to disclose to us the student, teacher, and class data that they could provide in electronic format and subsequently we requested detailed electronic records for all students who had enrolled in a course with EdOptions in Florida since July 1, 2010.

Upon audit request, EdOptions provided data files and supplementary metadata in a timely manner. However, the first set of data provided to us contained data anomalies such as dates of birth indicating students under the age of 5 and over the age of 19. In response to audit inquiry, EdOptions staff indicated that the anomalies were the result of the inclusion of test data along with our requested data. We also noted conditions in the EdOptions data such as blank fields and fields containing incorrect data (e.g., a parent telephone field contained what appeared to be an e-mail address) that caused us to question the quality of the data.

Although EdOptions subsequently resubmitted data files with the noted incorrect data removed, we had no means to confirm whether the incorrect data in EdOptions' original data submission actually resulted from the presence of test data or other submission errors or represented actual errors in the data. Additionally, in response to audit inquiry, EdOptions staff stated that there were no checks in the system for duplicates of the same student. The above-described concerns with the EdOptions data precluded us from using the data for further analysis.

In addition, EdOptions has not obtained an independent service auditor's report related to its controls designed and established for the VIPs. A service auditor's report, as described by the American Institute of Certified Public Accountants (AICPA), Statement on Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization* (SSAE No. 16), formerly referred to as a Statement on Auditing Standards (SAS) No. 70 report, provides information and auditor conclusions related to a service organization's controls. Service organizations make service auditor's reports available to user organizations to provide assurances related to the effectiveness of the service organization's relevant internal controls. Service auditor's reports under AICPA professional standards for attestation engagements and related guidance include, among others, a service organization controls (SOC) 2 report that addresses controls at a service organization relevant to security, availability, processing integrity, confidentiality, or privacy.

We recognize the data challenges presented to EdOptions in serving its numerous customers. As EdOptions provides VIP services to many states and numerous school districts within the states, these customers must have confidence that EdOptions' data is organized and recorded correctly for each customer. Without a service auditor's report, EdOptions may be answering similar concerns and questions from the various customer auditors as routine audits on those customers are performed.

Recommendation: EdOptions management should ensure that accurate and reliable electronic records are made available upon audit request to facilitate the performance of analytical procedures in connection with future audits of its performance in administering and operating VIPs for Florida school districts. EdOptions management's demonstration of compliance with various laws and controls over its technology-based education programs and data would be enhanced by routinely obtaining an independent service auditor's report on the effectiveness of controls relevant to the security and integrity of data established for its VIP customers.

Finding No. 23: Security Controls – User Authentication and Protection of Confidential and Sensitive Information

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain EdOptions security controls related to user authentication and the protection of confidential and sensitive information that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising EdOptions' customer entity data and IT resources. However, we have notified appropriate EdOptions management of the specific issues. Without adequate security controls related

to user authentication and the protection of confidential and sensitive information, the risk is increased that the confidentiality, integrity, and availability of VIP data and IT resources may be compromised.

Recommendation: EdOptions should improve security controls related to user authentication and the protection of confidential and sensitive information to ensure the continued confidentiality, integrity, and availability of customer entity data and IT resources.

Finding No. 24: Access Management

Access controls are intended to protect data and 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. Clear division of roles and responsibilities between IT staff and functional end users and within the established overall IT function helps preclude the possibility of a single employee subverting a critical process. For example, the functions of application end user, network administration and maintenance, and database administration are typically separated.

Our tests of selected access privileges to the EdOptions network and databases supporting the VIP environment disclosed two employees who had both network and database administration access privileges. In addition, all network and database administrators had update privileges within the GRAD and Stars Suite® applications. These inappropriate or unnecessary combinations of access privileges did not enforce an appropriate separation of duties and increased the risk of unauthorized disclosure, modification, or destruction of VIP data and IT resources.

Recommendation: EdOptions should review the appropriateness of access privileges granted to the network and database administrators and timely remove any inappropriate or unnecessary access detected.

Finding No. 25: Disaster Recovery Planning

The availability and reliability of a VIP provider's computing infrastructure is critical to its successful operation of Florida VIPs. Accordingly, it is essential that VIP providers maintain effective disaster recovery plans to help minimize data and asset loss in the event of a major hardware or systems failure or data center outage. A disaster recovery plan should identify critical applications to be restored, identify the backup and storage of critical data files, and provide a step-by-step plan for recovery, including identification of personnel responsible for recovery activities. In addition, the plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations. The plan should also identify an alternate processing facility that is geographically separated from the primary data center so as not to be susceptible to the same hazards.

EdOptions had not developed and tested a written disaster recovery plan for the restoration of critical VIP processing or recovery of the corresponding data files, including school and operational data. Additionally, although there was provision for an off-site alternate processing facility for recovery purposes, the processing facility was not outside the primary data center's proximity. These conditions may limit the ability of EdOptions to efficiently and effectively continue operations with minimal loss of data or assets in the event of a processing disruption. Subsequent to audit inquiry, EdOptions management completed a written disaster recovery plan on September 11, 2012.

Recommendation: EdOptions should conduct periodic testing of its written disaster recovery plan to promote readiness and prevent omission of key procedures. Additionally, EdOptions should identify an alternate processing facility outside its primary data center's proximity to provide reasonable assurance of continuing critical operations in the event of a disaster affecting the entire local area.

Finding No. 26: Performance Monitoring

Ongoing IT performance monitoring helps ensure that sufficient performance and capacity exist to minimize the risk of service disruption due to insufficient capacity or performance degradation. Our audit disclosed that EdOptions had not established written policies and procedures for performance monitoring of the VIP computing infrastructure. Although EdOptions staff monitored performance, no written policies and procedures had been established. As a result, the risk is increased that performance may not be monitored consistently and in a manner pursuant to management's expectations and that capacity or performance problems, should they occur, may not be timely detected and corrected.

Recommendation: EdOptions should establish written policies and procedures for performance monitoring of the VIP computing infrastructure.

Finding No. 27: Background Screenings

Effective security controls include the performance of security background screenings for new employees and the periodic reperformance of screenings for existing employees who are in sensitive or special trust positions. Such positions typically include IT employees with elevated access privileges or responsibilities for the custody of sensitive IT resources.

According to EdOptions management, although all new hires, including teachers and technical staff, were subjected to Florida and national background screenings, employees hired prior to July 29, 2005, had not been subjected to a security background screening. Additionally, once the initial background screenings were performed, background screenings were not reperformed on a periodic basis. Furthermore, background screenings were not performed for contracted technical workers.

The absence of a background screening or periodic rescreening increases the risk that a person with a criminal record may be employed in a position of special trust or responsibility and gain access to students or to confidential or sensitive school district data and IT resources.

Recommendation: EdOptions should ensure that security background screenings have been completed for all of its employees and contractors and that background screenings are reperformed on a periodic basis.

ADDITIONAL MATTER

As of December 2012, K12, Inc. (a for-profit technology-based education company and one of the VIP providers selected for audit), was the subject of an ongoing investigation by the Department relating to teachers and Florida certifications of teachers utilized in the VIPs. The outcome of this investigation and its impact, if any, relative to the operations of K12, Inc., were unknown as of the completion of our audit.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts 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 governmental accountability and stewardship and improving government operations.

Section 11.45(1)(g), Florida Statutes defines an operational audit as an audit whose purpose is 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, administrative rules, contracts, grant agreements, and other guidelines.

We conducted this audit from February 2012 through December 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.

This audit focused on the administration and oversight of VIPs and compliance with selected provisions in Sections 1002.45 and 1002.455, Florida Statutes. The overall objectives of the 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, administrative rules, contracts, grant agreements, and other guidelines.
- To 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, the reliability of financial records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To 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 the VIP activities or functions and IT systems and controls included within the scope of the audit, deficiencies in management's internal controls and IT controls, instances of noncompliance with applicable governing laws, rules, or contracts, 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.

As described in more detail below, for the VIP activities and functions and IT systems and controls 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 activities and functions; 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's findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these 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 management, staff, and vendors and, as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, abuse, or inefficiency.

In conducting our audit, we performed various audit procedures at the Department, 12 of the 67 school districts, and 2 VIP providers (K12, Inc., and PLATO Learning, Inc. [EdOptions]). As noted in the **BACKGROUND** section of this report, school districts have multiple options of providing students with opportunities to participate in VIPs, including contracting with FLVS or establishing a franchise of FLVS. In conjunction with performing certain audit procedures related to background screenings, teacher certifications, and contracts between the school districts and approved providers, we also reviewed and tested selected school district records involving FLVS FT and FLVS franchises.

Department

Specifically, for the Department, we:

- Interviewed Department personnel and reviewed Department policies and procedures.
- Obtained an understanding of selected Department IT controls, assessed the related risks, and determined whether selected application controls were in place.
- Examined the applications and supporting documentation for the six private VIP providers approved by the Department for the 2011-12 school year to determine whether the applications were approved in accordance with applicable laws, rules, and policies and procedures.
- Assessed the Department's scoring and evaluation of the six private VIP provider applications approved for the 2011-12 school year for reasonableness and consistency.
- Examined the applications and supporting documentation for the two private VIP providers denied by the Department during the 2010-11 school year to determine whether the applications were denied in accordance with applicable laws, rules, and policies and procedures.
- Determined, through inquiry of Department personnel and review of documentation, whether the Department, for private VIP providers, had established methods for data tracking and transparency, as well as accountability measures, in accordance with the requirements of State law.
- Determined, through a review of relevant rules, whether the SBE had adopted the rules necessary to administer the requirements of Section 1002.45, Florida Statutes.
- Determined, through inquiry of Department personnel and review of documentation, whether VIP guidance provided to school districts, parents, and other stakeholders was appropriate and effective.
- Assessed, through inquiry of Department personnel and review of documentation, whether the Department, by October 1, 2011, obtained from each school district a copy of each contract and the amounts paid per unweighted full-time equivalent student as required by State law.

School Districts

For the 12 school districts selected for testing (Alachua, Brevard, Broward, Calhoun, Duval, Glades, Hillsborough, Jackson, Leon, Miami-Dade, Polk, and Volusia), we:

- Interviewed school district personnel and reviewed school district control policies and procedures.
- Obtained an understanding of selected school district controls and assessed related risks.

- Completed analytical procedures necessary to enhance our understanding of the school districts' operations relevant to the school districts' VIPs. We identified and followed up on areas that represented elevated risks.
- Reviewed school district records to determine whether the school districts provided the VIP options required by State law and provided parents and students with information about their rights to participate in VIPs as well as timely written notification of VIP enrollment periods.
- Reviewed school district accounting records to ensure that the school districts refrained from assessing registration or tuition fees for participation in the VIPs.
- Reviewed records to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study.
- Reviewed student records and, on a test basis, determined whether school districts ensured that VIP students were provided with all necessary instructional materials, and with the computing resources necessary for program participation for those eligible students that did not already have such resources in their home.
- For school districts that contracted with Department-approved VIP providers, verified whether the school districts obtained a list of provider employees and contracted personnel, who could have direct contact with students, for whom background screenings were completed in accordance with Section 1012.32, Florida Statutes.
- Tested student records to determine whether students enrolled in VIPs met statutory eligibility requirements.
- Tested student records to determine whether students enrolled in VIPs met statutory participation requirements, including compulsory attendance and State assessment testing requirements.
- For school districts that contracted with Department-approved VIP providers, verified whether the contracts with the providers contained provisions required by State law, including: (1) a detailed curriculum plan; (2) a method for satisfying graduation requirements; (3) a method for resolving conflicts; (4) authorized reasons for contract terminations; (5) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed; and (6) a requirement that the provider comply with Section 1002.45, Florida Statutes.
- For school districts that contracted with Department-approved VIP providers, reviewed contracts to determine whether provisions were included to address compliance with contact terms, the confidentiality of student records, monitoring of the providers' quality of virtual instruction, data quality, and the availability of provider accounts and records for review and audit by the school districts and other external parties. Also, reviewed contract fee provisions, inquired as to how fees were determined, and reviewed payments made by the school districts to Department-approved providers for services rendered.
- Compared the certification coverages listed on the teachers' certificates to the required coverages for courses taught as listed on the Department's Course Code Directory to determine whether the VIP teachers selected for testing were properly certified.
- Tested student records to determine whether documentation existed to support that VIP funding was based on successful completion.

Providers

For the two providers selected for testing (K12, Inc., and EdOptions), we:

- Interviewed K12, Inc., and EdOptions personnel.
- Obtained an understanding of the K12, Inc., and EdOptions organizational structure.
- Obtained an understanding of the K12, Inc., and EdOptions platforms and IT environments used to support their VIPs.

- Obtained an understanding of the K12, Inc., and EdOptions interfaces and data transfer mechanisms used to transfer data to the school districts.
- Observed and evaluated the adequacy of authentication controls used by K12, Inc., and EdOptions to restrict access to authorized users and personnel. Additionally, we reviewed the access privileges at K12, Inc., for the 65 LMS grantees and 54 OLS grantees with access to the respective LMS and OLS databases as of June 19, 2012. We also reviewed the access privileges at K12, Inc., for 7 individuals with administrative-level access to the servers housing the LMS and OLS databases. Furthermore, we reviewed the appropriateness of selected access for 5 database administrators and 3 network administrators at EdOptions.
- Observed and evaluated the adequacy of selected security controls used by K12, Inc., and EdOptions, including antivirus, firewall, and intrusion detection controls.
- Observed and evaluated the adequacy of controls for continuity of data center operations used by K12, Inc., and EdOptions, including provisions for data backups, rotation of backups to off-site locations, off-site backup facilities, and performance monitoring.
- Observed and evaluated the adequacy of K12, Inc.'s, and EdOptions' processes for the performance and periodic updating of background screenings for teachers and staff. Specifically, we reviewed a sample of 27 K12, Inc., teachers, IT employees, and other staff associated with Florida operations to determine if background screenings had been performed on these individuals. Additionally, we reviewed a sample of 7 EdOptions teachers and IT staff associated with Florida operations to determine if background screenings had been performed on these individuals.
- Observed and evaluated the adequacy of K12, Inc.'s, and EdOptions' controls to segregate Florida school district data from the data of other Florida school districts and school districts from other states.
- Inspected the Florida administrative offices of K12, Inc., and EdOptions to determine if the VIP providers had complied with the requirements of Section 1002.45(2)(a)3., Florida Statutes, for locating an administrative office in Florida.
- Performed various other auditing procedures as necessary to accomplish the objectives of the audit.

Overall, we:

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions.

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

MANAGEMENTS' RESPONSES

Managements' responses are included as **EXHIBIT D**.

EXHIBIT A
VIRTUAL EDUCATION AND TOTAL REPORTED UNWEIGHTED FTE
FOR THE 2010-11 FISCAL YEAR

	School District	Virtual Education - Reported Unweighted FTE					Total Reported Unweighted FTE
		VIPs	FLVS Franchises	K-8 FLVA Continuity Program *	FLVS	Total	
1	Alachua	8.64				8.64	26,873.13
2	Baker	0.58				0.58	4,954.78
3	Bay	23.73	25.45			49.18	25,126.91
4	Bradford	1.00	7.34			8.34	3,126.53
5	Brevard	105.09				105.09	71,212.66
6	Broward	49.50	293.33			342.83	255,690.23
7	Calhoun	3.58				3.58	2,188.12
8	Charlotte	10.88	5.77			16.65	16,274.34
9	Citrus	40.09				40.09	15,352.11
10	Clay	46.89	0.50			47.39	35,682.84
11	Collier	41.09				41.09	42,429.48
12	Columbia	3.00	15.52			18.52	9,797.37
13	Miami-Dade	69.10				69.10	345,375.65
14	DeSoto	1.25				1.25	4,989.67
15	Dixie	0.42	2.08			2.50	2,027.18
16	Duval	103.57	200.73			304.30	125,171.86
17	Escambia	30.58	168.36			198.94	39,909.26
18	Flagler	10.67	12.60			23.27	12,828.56
19	Franklin	1.50				1.50	1,255.28
20	Gadsden	10.00				10.00	5,839.58
21	Gilchrist		0.60			0.60	2,548.39
22	Glades	1.00	0.25			1.25	1,462.44
23	Gulf					-	1,953.07
24	Hamilton	0.53	0.07			0.60	1,697.58
25	Hardee	0.50	0.58			1.08	5,117.90
26	Hendry	3.50				3.50	6,816.47
27	Hernando	20.50	71.78			92.28	22,624.39
28	Highlands	33.84				33.84	12,079.42
29	Hillsborough	167.63	110.78			278.41	192,852.31
30	Holmes	3.90				3.90	3,298.96
31	Indian River	14.42				14.42	17,560.88
32	Jackson	8.50				8.50	6,849.22
33	Jefferson	7.96				7.96	1,058.96
34	Lafayette	0.50				0.50	1,149.04
35	Lake	80.07				80.07	40,390.97
36	Lee	47.93	59.35			107.28	80,819.69
37	Leon	35.16	81.80			116.96	33,057.04
38	Levy	0.83	0.33			1.16	5,616.44
39	Liberty	1.00				1.00	1,406.75
40	Madison	5.50				5.50	2,699.84
41	Manatee	54.55				54.55	43,516.20
42	Marion	50.69	126.62			177.31	41,439.61
43	Martin	2.67				2.67	17,757.58
44	Monroe	1.61	1.00			2.61	7,964.72

EXHIBIT A (CONTINUED)
VIRTUAL EDUCATION AND TOTAL REPORTED UNWEIGHTED FTE
FOR THE 2010-11 FISCAL YEAR

	School District	Virtual Education - Reported Unweighted FTE					Total Reported Unweighted FTE
		VIPs	FLVS Franchises	K-8 FLVA Continuity Program *	FLVS	Total	
45	Nassau	13.32	17.09			30.41	11,121.44
46	Okaloosa	5.58	62.28			67.86	28,582.06
47	Okeechobee					-	6,754.65
48	Orange	90.98	87.20			178.18	174,720.05
49	Osceola	73.33	70.79			144.12	52,893.29
50	Palm Beach	84.93	170.50	41.17		296.60	172,831.74
51	Pasco	37.50	177.01			214.51	65,913.08
52	Pinellas	72.68				72.68	103,142.24
53	Polk	40.67	24.72			65.39	93,810.54
54	Putnam	4.98	8.23			13.21	10,881.61
55	St. Johns	29.30	101.37			130.67	30,591.71
56	St. Lucie	66.89				66.89	38,732.33
57	Santa Rosa	28.82	45.91			74.73	25,092.42
58	Sarasota	116.72				116.72	40,879.01
59	Seminole	73.40	109.07			182.47	63,907.27
60	Sumter	6.50				6.50	7,437.45
61	Suwannee	10.54				10.54	6,042.05
62	Taylor	3.00				3.00	2,845.58
63	Union	0.80				0.80	2,204.08
64	Volusia	88.43				88.43	61,410.23
65	Wakulla	7.00				7.00	5,123.01
66	Walton	13.93	18.11			32.04	7,253.13
67	Washington	5.50				5.50	3,440.35
	Washington Special					-	273.70
	FAMU Lab School					-	502.67
	FAU Lab Schools					-	2,123.27
	FSU Lab Schools					-	2,362.92
	UF Lab School					-	1,139.89
	FLVS				22,655.60	22,655.60	22,655.60
Total		**1,978.75**	**2,077.12**	**41.17**	**22,655.60**	**26,752.64**	**2,642,510.78**

*** Pursuant to Section 1002.415, Florida Statutes.**

Source: Summary of Department records as of October 28, 2011.

EXHIBIT B
VIRTUAL EDUCATION AND TOTAL REPORTED UNWEIGHTED FTE
FOR THE 2011-12 FISCAL YEAR

	School District	Virtual Education - Reported Unweighted FTE							Total Reported Unweighted FTE
		Provider Operated VIPs	District Operated VIPs	FLVS Franchises	Virtual Course Offerings	K-8 FLVA Continuity Program *	FLVS	Total	
1	Alachua	27.76		0.50				28.26	26,885.59
2	Baker			1.00				1.00	4,876.44
3	Bay	23.98		36.94				60.92	25,512.20
4	Bradford		0.50	13.57				14.07	3,183.64
5	Brevard	44.41	9.00	27.10	1.33			81.84	71,042.29
6	Broward	1.00	67.33	281.55				349.88	257,341.41
7	Calhoun	5.66			2.51			8.17	2,158.37
8	Charlotte	9.00		3.05				12.05	16,214.26
9	Citrus							-	15,171.50
10	Clay	4.18	36.95	550.78				591.91	35,438.76
11	Collier	33.09						33.09	42,845.40
12	Columbia		1.49	11.80				13.29	9,710.03
13	Miami-Dade	143.48						143.48	347,661.28
14	DeSoto	0.08						0.08	4,776.20
15	Dixie		1.50	2.95				4.45	2,024.07
16	Duval	58.00	227.72		2.27			287.99	126,076.99
17	Escambia	38.58		161.36				199.94	40,119.02
18	Flagler	5.00		21.97				26.97	12,758.26
19	Franklin							-	1,258.89
20	Gadsden	5.00						5.00	5,663.36
21	Gilchrist			1.53				1.53	2,545.29
22	Glades			0.33				0.33	1,520.10
23	Gulf							-	1,895.71
24	Hamilton	3.98	1.00	6.01				10.99	1,594.29
25	Hardee		2.00	0.99				2.99	5,079.53
26	Hendry	1.50						1.50	6,783.79
27	Hernando	13.50		110.27	3.68			127.45	22,448.89
28	Highlands	20.50		0.25				20.75	11,964.21
29	Hillsborough	92.02	109.29	56.44				257.75	195,579.40
30	Holmes	2.50						2.50	3,215.40
31	Indian River	4.25						4.25	17,708.87
32	Jackson	9.22						9.22	6,735.97
33	Jefferson	9.40						9.40	1,026.38
34	Lafayette							-	1,148.16
35	Lake	81.57		17.56				99.13	40,563.12
36	Lee	33.40	6.42	122.73	0.36			162.91	82,720.40
37	Leon	15.94	2.02	38.99	5.20			62.15	32,956.46
38	Levy	1.00		1.70				2.70	5,615.64
39	Liberty							-	1,412.95
40	Madison			0.08				0.08	2,627.93
41	Manatee	32.91		26.45				59.36	44,136.01
42	Marion	13.53		163.21				176.74	41,683.07
43	Martin	7.50						7.50	17,963.54
44	Monroe	0.84		1.18				2.02	8,031.19

EXHIBIT B (CONTINUED)
VIRTUAL EDUCATION AND TOTAL REPORTED UNWEIGHTED FTE
FOR THE 2011-12 FISCAL YEAR

	School District	Virtual Education - Reported Unweighted FTE							Total Reported Unweighted FTE
		Provider Operated VIPs	District Operated VIPs	FLVS Franchises	Virtual Course Offerings	K-8 FLVA Continuity Program *	FLVS	Total	
45	Nassau	4.27		8.49				12.76	11,080.44
46	Okaloosa	15.45		35.68				51.13	29,279.87
47	Okeechobee							-	6,558.17
48	Orange	68.28		108.20				176.48	178,847.25
49	Osceola	66.98		94.93	5.16			167.07	54,192.81
50	Palm Beach	86.13		174.56	1.24	30.00		291.93	175,083.70
51	Pasco	17.83	25.00	215.15	19.45			277.43	65,783.25
52	Pinellas	45.97	117.53		4.21			167.71	102,602.72
53	Polk	32.12		54.80				86.92	94,629.19
54	Putnam		8.21	12.67				20.88	10,774.62
55	St. Johns	30.91		77.50				108.41	31,355.54
56	St. Lucie	57.92						57.92	38,767.11
57	Santa Rosa	27.49		59.61				87.10	25,240.81
58	Sarasota	110.00			7.02			117.02	40,927.01
59	Seminole	93.90		208.97	0.97			303.84	63,842.88
60	Sumter	9.00		6.42				15.42	7,568.28
61	Suwannee	4.00						4.00	5,931.70
62	Taylor	1.00		0.25				1.25	2,739.97
63	Union			1.23				1.23	2,198.77
64	Volusia	79.44			30.04			109.48	61,402.83
65	Wakulla	4.00						4.00	5,073.74
66	Walton	5.96		4.03				9.99	7,490.95
67	Washington	6.50						6.50	3,411.85
	Washington Special							-	156.08
	FAMU Lab School							-	524.51
	FAU Lab Schools							-	2,135.52
	FSU Lab Schools							-	2,381.25
	UF Lab School			0.88				0.88	1,147.39
	FLVS						28,255.97	28,255.97	28,255.97
Total		**1,509.93**	**615.96**	**2,723.66**	**83.44**	**30.00**	**28,255.97**	**33,218.96**	**2,667,058.44**

*** Pursuant to Section 1002.415, Florida Statutes.**

Source: Summary of Department records as of November 8, 2012.

EXHIBIT C
DEPARTMENT SUMMARY OF CONTRACTS BETWEEN SCHOOL DISTRICTS AND DEPARTMENT-APPROVED VIP PROVIDERS* AS OF OCTOBER 2011

	School District	EdOptions	Connections Academy***	K12, Inc.			School District	EdOptions	Connections Academy***	K12, Inc.
1	Alachua	✓		✓		35	Lake		✓	✓
2	Baker**					36	Lee			✓
3	Bay		✓	✓		37	Leon	✓	✓	✓
4	Bradford**					38	Levy		✓	
5	Brevard	✓		✓		39	Liberty			✓
6	Broward			✓		40	Madison		✓	
7	Calhoun	✓	✓	✓		41	Manatee			✓
8	Charlotte		✓			42	Marion		✓	
9	Citrus**					43	Martin		✓	
10	Clay		✓	✓		44	Monroe**			
11	Collier		✓			45	Nassau		✓	
12	Columbia**					46	Okaloosa		✓	✓
13	Miami-Dade		✓	✓		47	Okeechobee		✓	
14	DeSoto		✓			48	Orange		✓	✓
15	Dixie**					49	Osceola		✓	✓
16	Duval			✓		50	Palm Beach		✓	✓
17	Escambia			✓		51	Pasco		✓	✓
18	Flagler		✓			52	Pinellas			✓
19	Franklin		✓			53	Polk			✓
20	Gadsden		✓	✓		54	Putnam**			
21	Gilchrist**					55	St. Johns			✓
22	Glades			✓		56	St. Lucie		✓	✓
23	Gulf		✓			57	Santa Rosa			✓
24	Hamilton			✓		58	Sarasota		✓	✓
25	Hardee**					59	Seminole			✓
26	Hendry		✓			60	Sumter			✓
27	Hernando		✓	✓		61	Suwannee		✓	
28	Highlands		✓	✓		62	Taylor			✓
29	Hillsborough			✓		63	Union**			
30	Holmes		✓	✓		64	Volusia		✓	✓
31	Indian River		✓			65	Wakulla		✓	
32	Jackson			✓		66	Walton		✓	
33	Jefferson**					67	Washington			✓
34	Lafayette**						**TOTAL**	**4**	**36**	**38**
		EdOptions	Connections Academy	K12, Inc.				EdOptions	Connections Academy	K12, Inc.

* Advanced Academics and National Network of Digital Schools were Department-approved VIP providers as of October 2011 but had not entered into any contracts with school districts for VIPs.

** Although Department records indicate that these school districts had not contracted with a Department-approved VIP provider, the school districts provided students other options of participating in virtual instruction.

*** Florida Connections Academy, LLC, (Connections Academy) partnered with FLVS in 2008 to become FLVS FT. In 2011, FLVS FT began accepting students for full-time enrollment, serving full-time students in kindergarten through grade 12 as public school students and grades 6 through 12 as home education students.

Source: Department records as of October 2011.

EXHIBIT D
MANAGEMENTS' RESPONSES

FLORIDA DEPARTMENT OF EDUCATION

STATE BOARD OF EDUCATION

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Dr. Tony Bennett
Commissioner of Education

January 18, 2013

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

Dear Mr. Martin:

The following responses are offered with respect to the preliminary and tentative audit findings issued December 19, 2012, with respect to the operational audit of the Department of Education's Virtual Instruction Programs:

STATE BOARD OF EDUCATION RULES AND STATUTORY RECOMMENDATIONS

Finding No 1: We recommend that rules be adopted to provide a standard provider contract template for use by the school districts. Such a template should include all contract elements required by Section 1002.45, Florida Statutes, as well as other provisions that would better enhance the integrity and accountability of the State's VIPs and VIP resources. Additionally, the Legislature should consider clarifying the intent of Section 1002.45(3)(d), Florida Statutes, as it relates to providing computing resources to VIP students.

Response: While we agree that school districts could benefit from additional guidance on VIP contract requirements and contracting with VIP providers, we do not agree that formal rule adoption by the department to provide a standard contract template is the most practical way to accomplish the objective of enhanced integrity and accountability of the State's VIPs and VIP resources. The department will continue to assist the school districts in developing and/or improving their formal contracting procedures by providing clear guidance consistent with the provisions of Section 1002.45, Florida Statutes, as well as offering technical assistance and shared best practices which include sample contract templates.

Additionally, the department will share with legislative staff the recommendation to consider clarifying the intent of Section 1002.45(3)(d), Florida Statutes, as it relates to providing computing resources to VIP students.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Mr. David Martin
January 18, 2013
Page 2 of 2

STATEWIDE MONITORING OF VIP PROVIDER STUDENT-TEACHER RATIOS

Finding No. 2: The department, in conjunction with school districts, should work to establish a mechanism for reporting and analyzing detailed VIP provider student and teacher information to effectively monitor the individual districts' and the statewide reasonableness of student-teacher ratios.

Response: The Department recognizes that its VIP providers may offer services to more than one district and/or state and, therefore, requires its VIP providers to disclose overall teacher load which encompasses the total number of students assigned to a teacher. The Department's database has two record formats in the Student Information System that could be matched to identify all the students that were assigned to a particular teacher by course and section. The school district reports this information for both their district-operated and their provider-operated programs. The record formats are the Student Course Record and the Teacher Course Record. The Department will consider matching these records to provide for effective monitoring. In addition, school districts could ask for class rosters from their providers to serve as an additional level of verification.

If you need additional information, please feel free to contact Martha K. Asbury, Assistant Deputy Commissioner – Finance and Operations, at (850) 245-0420 or via email at Martha.Asbury@fldoe.org.

Sincerely,

Dr. Tony Bennett

TB/tln

cc: Mike Blackburn, Inspector General
Martha Asbury, Assistant Deputy Commissioner, Finance & Operations
Sally Roberts, Educational Policy Consultant, Virtual Education

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

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W. Daniel Boyd, Jr., Ed.D.

Alachua County Public Schools

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January 12, 2013

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

Dear Mr. Martin:

Enclosed is the Alachua County response to the preliminary and tentative findings of the operational audit of our Virtual Instruction Program.

Please feel free to contact my office should you need further information.

Sincerely,

W. Daniel Boyd, Jr.
Superintendent

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

ALACHUA COUNTY RESPONSE TO AUDIT FINDINGS

Finding 3: Policies and Procedures

Handbooks have been developed for both students and staff members in regards to all VIP policies and procedures. Handbooks are distributed to students upon registration and to teachers upon selection for employment.

Finding 4: Provider Contracts

All current VIP contracts are scheduled for renewal on June 1, 2013. New language has been developed to be included in all new contracts and renewals to meet the required contractual elements including:

*Establishment of an agreed upon Student-Teacher ratio.

* Establishment of a provision requiring providers to responsible for all debts of the VIP if the contracts are nonrenewed or terminated.

* Establish procedures to monitor contract compliance as well as a method for resolving contract conflicts.

* Establish procedures for verification of confidentiality and security of student records.

Finding 5: Virtual Instruction Options

For the 2012-2013 school year, Alachua County provides 3 virtual options for grades 6-12; EdOptions, Alachua eSchool, and FLVS. For grades K-5, 3 providers will be selected for the 2013-2014 school year.

Finding 6: Written Parental Notifications

Copies of all written parental notifications will be maintained in the Virtual School office.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding 7: Background Screenings

Providers will be required to submit a list of employees with verification of their background screenings no later than September 1 of the academic year. This information will be reviewed by the district's Human Resources division to confirm that employees have passed the screening process.

Finding 8: Student Eligibility

A verification checklist has been developed to ensure that students meet qualification for enrollment in VIP program, to be completed by Virtual School Office upon student registration.

Finding 9: Student Compulsory Attendance

The Virtual School Office will monitor student attendance based on attendance records submitted by the providers. Monitoring will be recorded and records maintained in the Virtual School Office referencing the dates of this monitoring.

Finding 10: Computing Resources

VIP applications will be reviewed and information will be used to assist in the determination of applicant qualification for VIP computing resources. Providers will also provide input as to applicant eligibility for their services. These forms will be maintained in the Virtual School Office and the reviewer will initial and document eligibility determination.

Finding 11: Instructional Materials

The Virtual School Office will independently verify receipt of instructional materials within 10 days of student registration. This information will be documented and maintained in the Virtual School Office.

Finding 12: Teacher Certification

Providers will be required to submit a list of employees with verification of their certification and highly qualified status no later than September 1 of the academic year. This information will be reviewed by the district's Human Resources Certification Office to confirm that employees are appropriately certified and highly qualified for the courses that they teach.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

School Board of Brevard County
2700 Judge Fran Jamieson Way • Viera, FL 32940-6601
Brian T. Binggeli, Ed.D., Superintendent

February 4, 2013

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

Dear Mr. Martin:

Listed below are responses to your preliminary and tentative audit findings provided to the School Board of Brevard County on December 19, 2012 for the Virtual Instruction Programs.

Finding No. 3: VIP Policies and Procedures: Some school districts should enhance their controls over VIP operations and related activities by developing and maintaining comprehensive, written VIP policies and procedures.

Brevard Virtual has developed a policies and procedures handbook for students and families, but does not have written policies and procedures for other areas. We are compiling this information and will be working with current staff over the summer to establish a more comprehensive, written collection of policies and procedures. This document will continue to evolve and develop each year.

Finding No. 4: Provider Contracts: Some school districts' VIP provider contracts were deficient in that the contracts did not include, contrary to state law, agreed-upon student-teacher ratios, the providers' responsibilities for VIP debt, termination clauses, and other measures to promote effective VIP processes.

Brevard Virtual will confer with its District Purchasing Department for a comprehensive review of contracts for the 2013-14 school year and amend them as necessary to comply with current and future statutory requirements.

Finding No. 5: Virtual Instruction Options: Some school districts that were not in sparsely-populated counties should enhance their procedures to ensure that, in the future, the required number of VIP options provided for in law are offered.

For the 2012-13 school year, Brevard Virtual was in compliance with this statute for grades 6-12. In grades K-5, only two options were provided. At the time of the audit, there were two contracted service providers in the state-approved list; K12 Florida and FLVS FT/Connections Academy. Brevard has a District Operated VIP program and also contracts with K12 Florida. Brevard attempted to negotiate a contract with FLVS FT beginning in February 2012 and continued with negotiations through August 2012. An agreement could not be reached and therefore negotiations were ended. Brevard is currently investigating options with other districts and will also review the newly expanded list of providers to be in compliance for the 2013-14 school year.

Finding No. 6: Written Parental Notifications: Records at some school districts did not evidence that timely written notifications were provided to parents about student opportunities to participate in VIPs and the dates of the open enrollment periods.

The statute requiring direct, written notification was not approved by the Legislature and signed by the Governor until the 2010-11 school year had ended. DOE guidance to districts, explaining what constituted proper notification, was not received until mid-July. At that time, written notification could not be distributed without mailing notices home. The cost of mailing notices to over 70,000 homes was

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EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

estimated to be between $7,000 and $22,400 (.10 - .32 postage each), which was cost prohibitive. Brevard Virtual did comply with this statute during the 2011-12 school year by distributing a flyer to each student in grades K-11 regarding open enrollment for the 2012-13 school year and will continue to comply with the statute in this manner.

Finding No. 12: Teacher Certification: Some school districts' control procedures should be improved to ensure that individual teachers can be readily identified to the courses taught and that VIP instructional staff are Florida-certified teachers under Chapter 1012, Florida Statutes.

This finding identified Brevard as a district that "did not establish procedures to confirm that the VIP provider teachers were properly certified". Although documentation of teachers' certifications was not available for audit, the District does have a formal procedure that is followed to verify Florida-certified teachers, as follows:

1. The vendor provides the administrator with the teachers' demographic information and student schedules.
2. The teachers' certifications are confirmed on the DOE website and then entered into our local data management system.
3. Teachers' information is input into this system and student schedules established only after the information is confirmed by the administrator.
4. Monthly reports are printed to identify teachers who may be out of field or assigned to an ELL student.

Beginning in 2012-13, all parents are contacted to confirm that the teachers and courses reported to the Virtual Instruction Office are correct. In addition, the VIP Administrator will provide written documentation to confirm that teachers are properly certified.

I would like to thank you and your staff for your support and cooperation during this audit. I look forward to the completion of the final report.

Sincerely,

Brian T. Binggeli, Ed.D
Superintendent

C: Board Members
Audit Committee
Judy Preston

2

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
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NORA RUPERT

January 17, 2013

Mr. David W. Martin, CPA
Auditor General
Room 412C
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

We have received the preliminary and tentative findings and recommendations of the Auditor General, State of Florida, operational audit of the

Virtual Instruction Programs

and submit the following management responses to findings 3, 4, 5, 6, 7, 10, and 13, pertaining to Broward County Public Schools.

No. 3: VIP Policies and Procedures

Management Response: While defined policies, procedures, and safeguards are in place at the school level (listed on website and in school handbooks), Broward County Public Schools will develop District policy to align with F.S. 1002.45.

No. 4: Provider Contracts

Management Response: Per F.S. 1002.45, it is the virtual education provider's responsibility to include teacher student ratios in district contracts. Broward County Public Schools will ensure that this stipulation is included in future contracts. Provisions will also be added to require providers to be responsible for all debts of the VIP if contracts are not renewed. Further, Broward County Public Schools will ensure data quality requirements and data security controls are included by the provider in future contracts. This will become a standard operating practice.

No. 5: Virtual Instruction Options

Management Response: In October 2012, the School Board of Broward County approved two virtual charter schools to open in 2013-14. This will bring Broward County Public Schools into compliance with the required number of VIP options (three options at the elementary, middle, and high school levels).

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

No. 6: Written Parental Notifications

Management Response: Broward County Public Schools currently advertises its VIP options through television ads, radio ads, ads in parenting journals, brochures in public libraries, and through online resources. Written notification will be provided to parents by the District's School Choice Department. This will become a standard operating practice.

No. 7: Background Screenings

Management Response: Background screenings for all school personnel assigned to Broward County Public Schools' VIP students (including the provider's instructional staff) were conducted. In 2011-2012, Broward County Public Schools' employees were assigned to all VIP students except one (due to parental choice). All employees were properly screened according to statutory requirements, however, the provider did not submit a list of screenings for its support staff members in a timely manner. This has been corrected and has been adopted as a standard practice.

No. 10: Computing Resources

Management Response: Broward County Public Schools' VIP students who qualify for free or reduced lunch are presently offered computing resources if they do not have access to such equipment at home. Proper inventory controls are in place when students are issued computer equipment. Procedures will be modified so that eligible families will sign a statement that indicates they do not have access to computing resources at home. This will become a standard operating practice.

No. 13: VIP Funding

Management Response: In 2010-11, two out of over 400 VIP students (.5%) were reported for funding incorrectly. While students were properly withdrawn at the school level, the District inadvertently included the two students in the Survey 4 FTE count. District staff members assigned to FTE reporting have been notified of the error and will run reports for the school to review prior to the Survey 4 FTE count. This will become a standard operating practice.

If you have any questions or concerns, please contact Patrick Reilly, Chief Auditor, at (754) 321-2400.

Sincerely,

Robert W. Runcie
Superintendent of Schools

RWR/PR:pm

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

BOARD MEETS SECOND THURSDAY
OF EACH MONTH
PHONE 674-5927

CALHOUN COUNTY SCHOOL BOARD

RALPH YODER, Superintendent
20859 Central Avenue E., RM-G20
BLOUNTSTOWN, FLORIDA 32424

January 14, 2013

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

Dear Mr. Martin:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, I am responding to the findings cited in the operational audit of the Virtual Instruction Program of the Calhoun County School Board.

I would like to thank the members of your staff who conducted the audit for the efficient and courteous manner in which they did their job.

Our responses are as follows:

Finding No. 3: VIP Policies and Procedures

The District has enhanced our controls over VIP operations and related activities by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 4: Provider Contracts

The District has amended VIP provider contracts to include all of the statutorily required provisions of Section 1002.45(4), Florida Statutes.

Finding No.6: Written Parental Notifications

The District has established and distributes timely written notification to parents about student opportunities to participate in VIPs and the dates of the open enrollment periods.

"An Equal Opportunity Employer"

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding No. 7: Background Screenings

The District now obtains employee lists from our providers and checks to see that the required background screenings were performed for all VIP employees and contracted personnel.

Finding No. 8: Student Eligibility

The District now has control procedures for participation in VIPs. The district requires and keeps documented evidence of the eligibility of all students enrolled in VIPs.

Finding No. 10: Computing Resources

The District has enhanced our control procedures to ensure that VIP students and their parents are notified about the availability of computing resources, that only qualified VIP students are provided these computing resources, and that accountability for the computing devices is maintained.

Finding No. 11: Instructional Materials

The District will establish control procedures to document evidence that VIP students receive all necessary instructional materials.

Finding No. 12: Teacher Certification

The District will improve our control procedures to ensure that individual teachers are readily identified to the courses taught and that VIP instructional staff are properly certified teachers.

Again, we wish to express our appreciation to your audit staff for the professional manner in which the audit was conducted. We appreciate your recommendations and have taken action to implement them. Calhoun County has been diligent in the past in attempting to conduct their affairs in a correct and efficient manner, and we plan to continue in the same manner in the future. If you need additional information, please let me know.

Sincerely,

Ralph Yoder, Superintendent
Calhoun County School District

RY/sm

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Nikolai P.
Vitti, Ed.D.
Superintendent of Schools

1701
Prudential Drive
Jacksonville, FL 32207-8182
904.390.2115
www.duvalschools.org

January 18, 2013

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

Dear Mr. Martin:

Pursuant to Florida Statute 11.45(4)(d), I am submitting the following written responses to the Virtual School Instruction Program audit findings and recommendations as requested in your letter dated December 19, 2012.

Finding No. 3: VIP POLICIES AND PROCEDURES
District Response: The District agrees with the recommendation. DCPS is currently developing Standard Operating Procedures for our Virtual Instructional Program.

Finding No. 4: PROVIDER CONTRACTS
District Response: The District agrees with the recommendation. DCPS will ensure that all VIP Provider Contracts for the 2013-2014 school year and thereafter include the above provisions as mandated.

Finding No. 5: VIRTUAL INSTRUCTION OPTIONS
District Response: The District agrees with the recommendation. Three opportunities have been made available at all grade levels as required by statute.

Finding No. 6: WRITTEN PARENTAL NOTIFICATIONS
District Response: The District agrees with the recommendation. In June of 2012, DCPS sent a letter to every child and parent in the district which included information regarding all virtual options and the dates of the open enrollment periods. We will continue to provide this information according to statute.

Finding No. 7: BACKGROUND SCREENINGS
District Response: The District agrees with the recommendation. DCPS is presently requesting documentation from all VIP vendors verifying that the background screenings were performed. The District will include this as a contract requirement for fiscal year 2013-14 and thereafter.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Page 2
January 18, 2013

Finding No. 8: STUDENT ELIGIBILITY
District Response: The District agrees with the recommendation. DCPS has created a checklist showing how students met eligibility to participate in the VIP program.

Finding No. 9: STUDENT COMPULSORY ATTENDANCE
District Response: The District agrees with the recommendation. The District's procedures will be revised to clarify what constitutes an absence based on State statutes.

Finding No. 10: COMPUTING RESOURCES
District Response: The District agrees with the recommendation. DCPS has revised enrollment procedures to determine students' access to computers and internet; identifying those students in need of either or both.

Finding No. 11: INSTRUCTIONAL MATERIALS
District Response: The District agrees with the recommendation. DCPS has created procedures documenting the receipt of instructional materials.

Finding No. 12: TEACHER CERTIFICATION
District Response: The District agrees with the recommendation. DCPS will establish procedures to verify the teacher of record for the student and VIP teacher certification credentials.

Sincerely,

Nikolai P. Vitti, Ed.D.
Superintendent of Schools

NPV/vp

CC: Randy Arend, Auditor General's Office
Stephen Bright, Executive Director, Business Services
Cindy Hill, Director, Business Services
Lee Legutko, Interim Chief Financial Officer
Walter Carter, Interim Chief Financial Officer
Dana Kriznar, Executive Director, Alt Ed Program & Behavior
Marilyn Myers, Principal Virtual Ed

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

GLADES COUNTY SCHOOL DISTRICT
Building Academic Excellence

January 25, 2013

Scott Bass
Superintendent
•
Deborah Pressley
Curriculum Services Director
•
Sue Woodward
Finance Director
•
Janice Foster
Exceptional Student Education Director
•
School Board
• **Janet Storey** District 1
• **Jenny Allen** District 2
• **Jeri Wilson** District 3
• **Mike Pressley** District 4
• **Patricia Pearce** District 5

David W. Martin, CPA
Auditor General
State of Florida
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Below please find my response to the preliminary and tentative findings regarding the operational audit of Virtual Instruction Programs. Please feel free to contact my office with any questions or concerns.

Virtual Instruction Program – Findings Response

Finding No. 3: VIP Policies and Procedures.

Response: The Glades County School District will work to develop policies and procedures in regard to the operations and related activities for the district's VIP program. Currently staff is aware of these deficiencies and will work over the next months to develop sufficient guidelines for the program and then move toward the implementation.

Finding No. 13: VIP Funding.

Response: The Glades County School District will improve internal control over students who are reported in that only students eligible for VIP funding will be reported and supporting documents will be kept supporting those students who were claimed.

Sincerely,

Scott Bass
Superintendent of Schools

Accredited

Box 459 • Moore Haven, FL 33471 • 863.946.2083 • Fax: 863.946.2709 • www.glades-schools.org

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

School Board

April Griffin, Chair
Carol W. Kurdell, Vice Chair
Doretha W. Edgecomb
Candy Olson
Cindy Stuart
Susan L. Valdes
Stacy R. White, Pharm.D.

Hillsborough County
PUBLIC SCHOOLS
Excellence in Education

Superintendent of Schools
MaryEllen Elia

January 16, 2013

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Subject: Response to the Preliminary and Tentative Audit Findings and Recommendations draft report on the Virtual Instruction Program

Dear Mr. Martin:

After reviewing the information from your office we have included our written statements, explanations and proposed corrective actions regarding the preliminary and tentative findings and recommendations.

As a district on the leading edge of curriculum and technology we knew virtual programs were an additional way we could offer more "Choice" options to our families and students in Hillsborough County. Because of this "Choice" trend we researched, designed and implemented our own in-house Virtual Program. What started out as a small program has blossomed, expanded and evolved.

We appreciate the guidance and leadership you've provided within the preliminary and tentative findings and recommendations document.

In conclusion, we wish to thank Ms. Mary Ann Pekkala and Mr. Chris Stanisci of the Auditor General's staff for their professional and courteous manner in which they conducted the audit. If additional questions arise, please feel free to contact me or our staff as needed.

Sincerely,

MaryEllen Elia
Superintendent

Raymond O. Shelton School Administrative Center • 901 East Kennedy Blvd. • Tampa, FL 33602-3507
School District Main Office (813) 272-4000 - P.O. Box 3408 • Tampa, FL 33601-3408 • www.sdhc.k12.fl.us

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Hillsborough District School Board
Preliminary and Tentative Audit Findings

Finding No. 3:

HCPS Response:

We provide our parents and students Virtual Instruction Program (VIP) option notification two ways. One way is through the district website and the second notification is through our Choice office.

Our Choice Options brochure is sent home with every student. Once a parent has interest with our Choice Options programs it is the responsibility of the guidance counselor to contact the parents and schedule discussion appointments.

The Hillsborough County Public Schools (HCPS) staff ensures student eligibility during the enrollment process. Interested students and parents are required to complete the online application and meet with the guidance counselor or administrative staff to discuss all VIP educational options, placement, testing requirements and procedures. During this meeting an enrollment packet is completed by the parent and they are informed of the availability of computer resources for those families who qualify. An open house is scheduled prior to the first day of school to provide additional information.
Additionally, we are putting processes in place to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations.

Finding No. 4a:

HCPS Response:

HCPS was not provided and did not receive from the Florida Department of Education (FLDOE) a standard provider contract template for use during the start of the Virtual Program in 2010-2011. Without guidance or leadership from the FLDOE our district wrote a provider contract template document which was used with our virtual program vendor at that time.

We are correcting the provider contracts for the FY 2013-2014 school year and will implement the recommended language per Florida Statute to include program requirements, such as student eligibility and compulsory attendance requirements

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Hillsborough District School Board
Preliminary and Tentative Audit Findings

Finding No. 4b:

HCPS Response:

HCPS was not provided and did not receive from the Florida Department of Education (FLDOE) a standard provider contract template for use during the start of the Virtual Program in 2010-2011. Without guidance or leadership from the FLDOE our district wrote a provider contract template document which was used with our virtual program vendor at that time.

We are correcting the provider contracts for the FY 2013-2014 school year and will implement the recommended language per Florida Statute to include any Department-approved VIP providers to publish student-teacher ratios and other instructional information.

Finding No. 4c:

HCPS Response:

HCPS was not provided and did not receive from the Florida Department of Education (FLDOE) a standard provider contract template for use during the start of the Virtual Program in 2010-2011. Without guidance or leadership from the FLDOE our district wrote a provider contract template document which was used with our virtual program vendor at that time.

We are correcting the provider contracts for the FY 2013-2014 school year and will implement the recommended language per Florida Statute to include provisions requiring providers to be responsible for all debts of the VIP if the contracts were not renewed or were terminated

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Hillsborough District School Board
Preliminary and Tentative Audit Findings

Finding No. 4d:

HCPS Response:

HCPS was not provided and did not receive from the Florida Department of Education (FLDOE) a standard provider contract template for use during the start of the Virtual Program in 2010-2011. Without guidance or leadership from the FLDOE our district wrote a provider contract template document which was used with our virtual program vendor at that time.

We are correcting the provider contracts for the FY 2013-2014 school year and will include the provision to require HCPS the ability to monitor the providers' compliance with contract terms, including confirmation or verification that the VIP providers protected the confidentiality of student records and supplied students with necessary instructional materials.

Finding No. 4g:

HCPS Response:

HCPS was not provided and did not receive from the Florida Department of Education (FLDOE) a standard provider contract template for use during the start of the Virtual Program in 2010-2011. Without guidance or leadership from the FLDOE our district wrote a provider contract template document which was used with our virtual program vendor at that time.

We are correcting the provider contracts for the FY 2013-2014 school year and will include the provision for data quality requirements. Inclusion of data quality requirements will help ensure that the HCPS expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to our providers.

Finding No. 4h:

HCPS Response:

The way of work that has been established since the beginning of the contract with K12.com has been any communication which includes student information is sent via email directly to the designated district contact in a locked spreadsheet which is password protected. Hillsborough has a unique password to unlock the student information spreadsheet.

We are correcting the provider contracts for the FY 2013-2014 school year and will include the provision concerning minimum required security controls.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Hillsborough District School Board
Preliminary and Tentative Audit Findings

Finding No. 5:

HCPS Response:

HCPS is identified as one of the districts that did not have a minimum of the three VIP options. Please see below for our VIP offerings.

Grades K-6 Full-Time
K12.com;
Clavert;
Verticy (through Clavert) this was a part of the contract. We had students use this option in the 2011-2012 school year.

Grades 6-12 Full-Time
K12.com (6-8) or Aventa (An educational entity of K12.com);
Hillsborough Virtual School (Franchise);
Florida Virtual

Grades 9-12 Part-Time
Hillsborough Virtual School (Franchise);
Florida Virtual;
Aventa (An educational entity of K12.com)

An email from Sally Roberts, Educational Policy Consultant Virtual Education for FLDOE Division of Public Schools confirmed our VIP options were acceptable.

Finding No. 6:

HCPS Response:

HCPS published the VIP enrollment period on the 2011-2012 district website and on the enrollment documents; however, because the information was updated in the next school year the school district records were unavailable to evidence compliance with the statutory requirement.

During the 2011-2012 school year the HCPS Choice Options brochure did make reference to the "enrollment and application window," it was noted on the district website, and in the enrollment documents. Additionally, this information was sent home to every HCPS student via the district Choice Options brochure and through a series of district generated phone calls from the ParentLink system. The Hillsborough Virtual School page of the brochure directed interested parties to the website for enrollment.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Hillsborough District School Board
Preliminary and Tentative Audit Findings

Finding No. 7:

HCPS Response:

Our Contract indicates the Description of Services:

> Customer will be provided the following Services under this Order:
>
> > Instructional Services: Customers will be provided qualified teachers, licensed as required by applicable state law, for instruction to enrolled students for selected courses.

Additionally, beginning with the current school year (2012-2013) all teachers provided by any contract services provider with go through Hillsborough's employment process. Each instructor will be made an employee of HCPS and required to meet all certification, fingerprinting and background requirements. Verification will be completed by the Human Resources Division Office of Professional Standards.

Finding No. 10:

HCPS Response:

Our Choice Options brochure is sent home with every student. Once a parent has interest with our Choice Options program it is the responsibility of the guidance counselor to contact the parents and schedule discussion appointments.

The Hillsborough County Public Schools (HCPS) staff ensures student eligibility during the enrollment process. Interested students and parents are required to complete the online application and meet with the guidance counselor or administrative staff to discuss all VIP educational options, placement, testing requirements and procedures. During this meeting an enrollment packet is completed by the parent and they are informed of the availability of computer resources for those families who qualify. An open house is scheduled prior to the first day of school to provide additional information.

Once the status is verified, the district provides the requested computer resources. The same process applies to the contracted services provider K12.com. HCPS does not rely on the contracted services provider to request computer resources for the students.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Hillsborough District School Board
Preliminary and Tentative Audit Findings

Finding No. 12a:

HCPS Response:

HCPS was not provided and did not receive from the Florida Department of Education (FLDOE) a standard provider contract template for use during the start of the Virtual Program in 2010-2011. Without guidance or leadership from the FLDOE our district wrote a provider contract template document which was used with our virtual program vendor at that time.

We are correcting the provider contracts for the FY 2013-2014 school year and will implement the recommended language per Florida Statute to include any Department-approved VIP providers to publish student-teacher ratios and other instructional information.

Finding No. 12d:

HCPS Response:

Beginning this year (2012-2013) verification of certification is a responsibility of the supervisor of the VIP program. Certification is verified during the teacher course assignment process and checked again during additional district pre-FTE verifications.

Finding No. 12e:

HCPS Response:

HCPS has changed the previous process. Beginning this year (2012-2013) verification of certification is a responsibility of the supervisor of the VIP program. Additionally, certification is verified during the teacher course assignment process and checked again during additional district pre-FTE verifications.

Finding No. 13c:

HCPS Response:

Beginning this year (2012-2013) student scheduling is a responsibility of the supervisor of the VIP program. Enrollment and withdrawal procedures have been established with the teachers, administration and data processor. Teachers verify their student rosters during additional district pre-FTE verifications. This will insure all enrollment and withdrawal dates are correct among the various systems and VIP programs.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Jackson County School Board's Response to the Preliminary and Tentative Audit Findings issued December 19, 2012

Finding No. 3: Some school districts should enhance their controls over VIP operations and related activities by developing and maintaining comprehensive, written VIP policies and procedures.

Jackson's Response: The District believes that it is in compliance with Section 1001.41(3) for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. In regards to Section 1002.45, the District will develop written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements.

Finding No. 4: Some school districts' VIP provider contracts were deficient in that the contracts did not include, contrary to State law, agreed-upon student –teacher ratios, the provider's responsibilities for VIP debt, termination clauses, and other measures to promote effective VIP processes.

Jackson's Response: The District will require, by contract, that VIP providers comply with all requirements for Section 1002.45, Florida Statutes and other necessary provisions as required or needed.

Finding No. 6: Records at some school districts did not evidence that timely written notifications were provided to parents about student opportunities to participate in VIPs and the dates of the open enrollment periods.

Jackson's Response: The District was negligent in adhering to this requirement as it felt that it was recruitment for the VIP program by advertising opportunities that would draw funding away from the district while at the same time still require all reporting and tracking of enrollment data to the state. The district was aware of the statutory requirement.

Finding No. 7: Records at some school districts did not evidence that required background screenings were performed for all VIP employees and contracted personnel.

Jackson's Response: The District will enhance its procedure to ensure that the required background screenings are performed for all VIP provider employees and contracted personnel.

Finding No. 8: Control procedures for participation in VIPs at some school districts did not always require documented evidence of the eligibility of all students enrolled in VIPs.

Jackson's Response: The District will enhance control procedures for participation in its VIP program to require documented evidence of the eligibility of all students enrolled in the VIP program.

Finding No. 9: Some school districts' control procedures did not always require documented verifications that VIP students complied with compulsory attendance requirements.

Jackson's Response: The District will establish control procedures to require a documented verification that students enrolled in VIPs have complied with compulsory attendance requirements as prescribed by State law.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding No 10: Some school districts' control procedures should be enhanced to ensure that VIP students and their parents are notified about the availability of computing resources, that only qualified VIP students are provided these computing resources, and that accountability for the computing resources is maintained.

Jackson's Response: The District will establish control procedures to ensure that VIP students and their parents are properly notified of the availability of computing resources, that only qualified VIP students are provided these computing resources, and that accountability for the computing resources is maintained.

Respectfully submitted:

Frank E. Waller

Frank E. Waller
Director of MIS, Middle and Secondary Education
Jackson County School Board

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

BOARD CHAIR
Georgia "Joy" Bowen

BOARD VICE CHAIR
Maggie B. Lewis-Butler

BOARD MEMBERS
Dee Crumpler
DeeDee Rasmussen
Forrest Van Camp

SUPERINTENDENT
Jackie Pons

January 17, 2013

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Attached is the official written response to the preliminary and tentative audit findings included in the audit of the Virtual Instruction Program.

We value the information provided during the audit process to our District School Board. We have worked diligently to address the concerns noted in the report. We will work to immediately implement all of the recommendations as outlined in our response below.

We thank you for the opportunity to respond. If additional information is required, please feel free to contact us.

Sincerely,

Jackie Pons

Jackie Pons
Superintendent

2757 West Pensacola Street • Tallahassee, Florida 32304-2998 • Phone (850) 487-7147 • Fax (850) 487-7141 •
www.leonschools.net

"The Leon County School District does not discriminate against any person on the basis of gender, marital status, sexual orientation, race, religion, national origin, age, color or disability."

Build the Future Together

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Management Response
January 17, 2013
Page 2 of 2

Finding No. 3:

The district has worked with a private consulting firm (NEOLA) to revise all school board policies and procedures. The district has included the VIP program within this revision process. The VIP policies were adopted by the school board on September 4, 2012. Currently, the district is working in the second phase of the revision process that includes the procedures. The revised procedures are set to be complete in the spring of 2013.

Finding No. 4:

The district VIP contract review process will be amended to include contract deficiencies mentioned in the audit by the conclusion of the 2012/13 school year.

Finding No. 6:

The district will maintain evidence of written notification to parents in the future.

Finding No. 7:

The district will require all background screening documentation be provided to the district from the VIP provider prior to student placement in course(s).

Finding No. 13:

The district has amended the virtual school FTE procedures to ensure proper reporting for students that are retained due to FCAT in grades K-5.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Superintendent of Schools
Alberto M. Carvalho

Miami-Dade County School Board
Perla Tabares Hantman, Chair
Dr. Martin Karp, Vice Chair
Dr. Dorothy Bendross-Mindingall
Susie V. Castillo
Carlos L. Curbelo
Dr. Lawrence S. Feldman
Dr. Wilbert "Tee" Holloway
Dr. Marta Pérez
Raquel A. Regalado

January 24, 2013

Mr. David W. Martin
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399

Dear Mr. Martin:

Staff from Miami-Dade County Public Schools (M-DCPS) has completed a review of the preliminary and tentative findings and recommendations for the operational audit of Virtual Instruction Programs (VIP) from the Auditor General's office. Below you will find comments and explanations regarding the findings in which M-DCPS is referenced.

Finding No. 3: VIP Policies and Procedures
M-DCPS was the only sampled district with written VIP policies and procedures in place. The findings stated that the District could expand the information provided. The VIP policies and procedures have already been expanded to include additional areas such as VIP administration and VIP statutory requirements.

Finding No. 4: Provider Contracts
Lack of student-teacher ratios: Going forward, all new contracts will include student-teacher ratios. However, it should be noted that this particular requirement is not included in the "contract requirements section" of Florida Statute 1002.45. It is located in a different section of the statute which may contribute to its omission since none of the 17 contracts sampled contained this information. It is clear that additional guidance from the Florida Department of Education is needed.

Lack of a provision requiring providers to be responsible for all debts of the VIP if the contracts are not renewed or were terminated: While the identified M-DCPS contract did not contain the specific language requested by the auditors, other language was included that provided the same intent. However, going forward all new contracts will include the language from the Florida Statutes verbatim.

Lack of a provision that requires monitoring of providers' compliance with contractual obligations: This recommendation does not appear to be based on statutory language. District staff did indeed monitor providers for compliance with contract terms. Many examples of monitoring were provided to the audit team. The process used to monitor providers has been included in the expanded VIP Policies and Procedures document. This seems like a more appropriate strategy since it allows a district to change monitoring practices as needed since provider contracts state that they must comply with all statutory requirements.

School Board Administration Building • 1450 N.E. 2nd Avenue • Miami, Florida 33132
305-995-1000 • www.dadeschools.net

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding No. 4 Provider Contracts (continued)
Lack of inclusion of data quality requirements. Inclusion of data quality requirements in contracts with VIP providers does not seem to be part of §1002.45(2) F.S.. However, accurate data reported in a timely manner is important. Going forward future contracts will contain language on required reports to the district.

Lack of inclusion of IT controls in contract. Inclusion of the specification of IT controls are not part of the contract requirements specified in §1002.45 F.S.. However, future contracts will include language that the online provider must have proper protocols in place on their IT systems to ensure student confidentiality.

Finding No. 5: Virtual School Options
The requirement that districts provide three options went into effect on July 1, 2011, and did not allow districts sufficient time to identify and contract with additional providers for the opening of school in August 2011. Additionally, the interpretation of the law that indicates that three options are required at every grade level did not come until later on in the 2011-2012 school year. Most importantly, three state authorized providers were not available at every grade level, making it even more difficult to comply in a very short timeframe since compliance would have required selecting materials and hiring and training staff to deliver a program.

For the record, for the 2011-2012 school year, M-DCPS did offer three options for students in grades K-5. Students were invited to enroll in either K12, Florida Virtual School Full Time (FLVSFT), or a program staffed by District teachers. The third option was offered but was not active due to a lack of interest from parents and students. Documentation was provided to the audit team in the form of student acceptance letters outlining the three options. Additionally, the audit team was informed that location 7023 was active for Miami-Dade.

There were only two options available for students in grades 6-8. Students could enroll in either K12 or FLVSFT. For grades 9-12, there was only one option, K12. An additional option, Kaplan Virtual Education (KVE), had been available for the previous two years for both grades 6-8 and 9-12. However, notification was received in June 2011 that KVE, after being acquired by K12, would not provide services for the 2011-2012 school year. The time constraints limited the District's ability to fully review additional providers and have a contract in place for the new school year.

The District is in the process of ensuring that the requisite number of virtual options be provided to students going forward.

Finding No. 6 Written Parental Notification
M-DCPS did not have time to notify parents in writing for the 2011-2012 school year as the law requiring such notification went into effect on July 1, 2011, when school was no longer in session, and Miami-Dade Online Academy did not have a budget to cover the cost of direct mailings. Notification was provided on the District's website and had previously been provided through District Choice Applications and other mechanisms. M-DCPS sent written notification to all District students in early May 2012 for the 2012-2013 school year and will follow this process going forward.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding No. 10 Computing Resource
The Florida Statute referenced in the finding specifies that students who qualify for free or reduced price lunch and who do not have a computer or internet access in the home are to be provided technology and connectivity assistance. The District did not obtain evidence that students meeting the lunch requirement were also in need of technology at home because the statute does not prohibit the District from providing technology and connectivity assistance to students with computers at home. The District maintains there was no violation in the distribution of hardware and connectivity assistance to students.

Finding No. 13 VIP Funding
One student was reported for VIP funding although the student had withdrawn from the VIP during the school year: The student in question was an elementary student who was enrolled in the District virtual instruction program through the October FTE period. The student withdrew from the program and enrolled at a District brick and mortar elementary school. At the end of the school year, the student was successfully promoted to the next grade level, and due to the interpretation of staff responsible for student reporting at the data center, the District submitted the student for funding.

Although the FLDOE has specified that districts may receive the full 1.0 FTE for elementary students who are enrolled in a school district VIP for the first semester and enrolled in a district brick and mortar school the second semester in Question 119 of the Florida Public Virtual Schools Questions and Answers (2012-13), no clarification has been provided for students who are reported under the District virtual instruction program for Survey 2, withdraw prior to the end of the semester, but immediately enroll in a district brick and mortar school.

In conclusion, many of the findings indicate that districts should exercise greater control and perform more extensive monitoring of VIP providers. However, the report does not mention that funding is not provided for such monitoring. All FTE generated in excess of the amount paid to the providers must be spent on an Instructional Improvement System. None of the FTE earned by the District virtual instruction program may be used for personnel to monitor providers or to provide other support services to students. Funding from other sources must be used to staff and manage these programs.

For clarification or additional information, please contact Dr. Sylvia J. Diaz, Administrative Director, Division of Instructional Technology, Instructional Materials, and Library Media Services, at 305 995-7603.

Sincerely,

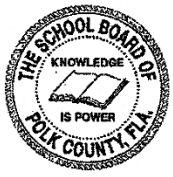
Alberto M. Carvalho
Superintendent of Schools

AMC:dmk
L675

cc: Ms. Milagros R. Fornell
Mr. Jose F. Montes de Oca
Dr. Helen S. Blanch
Dr. Sylvia J. Diaz

Page 3 of 3

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES



SCHOOL BOARD OF POLK COUNTY

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JOHN A. STEWART, Ed.D.
Superintendent

January 28, 2013

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

Dear Mr. Martin:

The responses to the Preliminary and Tentative Findings on the operational audit for Virtual Instruction Programs for fiscal year ending June 30, 2012 have been completed. Please accept this letter along with the attached response as the submission from the Polk County Schools. We have only responded to the recommendations that specifically mentioned the School Board of Polk County.

We understand that additional comments could be shared upon final review. If you have any questions on the responses you can contact, Pennie Zuercher, Director of Financial Reporting at (863) 534-0539.

Sincerely,

John A. Stewart, Ed. D.
Interim Superintendent

Attachment

Polk County Schools - an equal opportunity institution for education and employment

The Mission of Polk County Public Schools is to ensure rigorous, relevant learning experiences that result in high achievement for our students.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Polk County District School Board
Management Response to Preliminary and Tentative Findings
Operational Audit of Virtual Instruction Programs
for Fiscal Year 2011-12

Finding No. 3:

Management Response: The District will develop written procedures in accordance with the recommendation.

Finding No. 4:

Management Response: The District will enhance procedures to ensure that statutorily required and other necessary provisions are included in our contracts with Department-approved VIP providers.

Finding No. 5:

Management Response: The District will enhance procedures to ensure that the District offers the number of VIP options by law.

Finding No. 6:

Management Response: The District will enhance procedures to ensure that records evidencing timely written notifications to parents about student opportunities to participate in VIPs and the dates of the open enrollment periods are maintained.

Finding No. 7:

Management Response: The District will enhance procedures to ensure that the required background screenings are performed.

Finding No. 12:

Management Response: The District will work to improve control procedures in accordance with the recommendation.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Response to Preliminary and Tentative Audit Findings

for

Volusia County Schools Online Learning

Virtual Instruction Program (VIP)

Submitted on behalf of

Dr. Margaret A. Smith, Superintendent of Schools

January 18, 2013

Gary Marks
Director of Online Learning

1/18/2013
Date

1

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding #3: VIP Policies and Procedures

Response

While Volusia did not have a comprehensive written VIP policies and procedures manual, we did have a manual for use by school personnel, parents and students. Personnel responsibilities were clearly defined, sufficient and appropriate training of personnel was provided and documentation of compliance with statutory imperatives was kept, though, not in the form of a comprehensive operations manual. In a program that started with one full-time teacher, one full-time guidance counselor, one administrator and one clerk, policies and procedures evolved based on need and feedback from stakeholders. In August 2012, Volusia Virtual expanded to include four additional district programs, a faculty of 12 and has a new coordinator. We are in the process of developing comprehensive written VIP policies and procedures to enhance the effectiveness of our operations and related activities. A draft of VIP policies and procedures will be submitted by February, 2013.

Finding #4: Provider Contracts

Response

Volusia continues to work with K12, Inc. and FLVS FT to receive information specifying current teacher/student ratios. Volusia will insert language into future contracts with vendors that specify acceptable teacher/student ratios and will allow for district monitoring of provider compliance with all terms of the contract.

Volusia negotiated the inclusion of the provision below in its 2012-13 contract with K12Florida, based on verbal findings from auditor last year.

From the current K12-Volusia contract:

As required by Florida Statute, K12, Inc. shall be responsible for all debts for the customer's virtual instruction program that arise out of K12's performance of this contract if the contract is not renewed or is terminated. This does not excuse the Customer from paying any obligations incurred resulting from its obligations under this contract or from the payment of any debts incurred under this contract for termination, unless such termination is as provided for under the clause titled Termination for Cause.

A member of our administrative team has been assigned to monitor the provider's compliance with the contract.

Such monitoring includes confirmation that the providers protected the confidentiality of student records and supplied students with necessary instructional materials.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding #5: Virtual Instruction Options

No findings for Volusia

Finding #6: Written Parental Notifications

Response:

Volusia utilized a variety of means to communicate with parents, but did not meet the standard of the auditor. The district will include additional written notification with materials sent home, along with developing direct access to information as parents access the electronic parent portal, the Volusia County Schools website, and the Online Learning website.

Volusia notified parents of the two open enrollment periods—the first for 90 days, ending 30 days prior to the opening of school—in accordance with statute. The district opted to add another enrollment period opening immediately when the first closed, allowing student enrollment through the second week of school. In advertisements and the website, the two back-to-back enrollment periods were noted as one, in an effort to avoid parental confusion. We have been informed that we need to advertise them as two distinct enrollment periods, not one. We will comply.

Finding #7: Background Screenings

Response

Volusia received complete teacher lists at the beginning of the 2012-13 school year and continues to receive updates as staffing changes occur. When we receive the lists, they are forwarded to Volusia County Schools' Human Resources department for clearance. We are notified when the screenings are completed.

Finding #8: Student Eligibility

Response

Volusia checks the OMNI report of applicants to full-time virtual for eligibility and returns the form to the vendor. The procedure has been written and has become part of the new policies and procedures manual. Eligibility for part-time Volusia Virtual is part of the written application process and the check is completed by the student's school counselor, prior to submitting an application.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding #9: Student Compulsory Attendance

Response

The district-operated VIP has established a procedure for reporting student attendance for each course in which a student is enrolled. Depending on the platform through which the course is delivered, the attendance reporting varies. More specifically, an automated daily attendance report is generated from Compass Learning for all Odyssey courses and delivered directly to our school district for data entry. For all other platforms (Aventa, Powerspeak, district-developed courses on Blackboard), daily attendance is manually input by staff using the district's electronic attendance tool. We are currently working with K12, Inc. to determine how they will deliver attendance reports that can be verified by district staff.

Finding #10: Computing Resources

Response

In addition to the verbal notification given in the past, written notification and documentation of parental request for computer equipment are now in place. The notification is part of the application process and the documentation of the request is part of the income qualifying form.

Finding #11: Instructional Materials

No findings for Volusia

Finding #12: Teacher Certification

Response:

K12 now provides a list of teachers and the courses they teach. The information is forwarded to Volusia County Schools' Human Resources department where certifications are checked and returned to the Online Learning office. K12, Inc. also provides updates as new teachers are hired. Those names and courses taught are also sent to Volusia County Schools' Human Resources for vetting.

In addition to the implemented procedure noted above, Volusia surveyed parents to confirm if the teachers of record for K12, Inc. were actually their teachers of courses taken with the provider. The survey did not return any irregularities. With the implementation of certification checks by the Human Resources department, the unreported out-of-field issue has been resolved.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding # 13: VIP funding

Response

Over time, data reporting procedures have become more streamlined for Volusia Virtual in collaboration with our Technology Services department. Vendor/district meetings to establish protocols for the delivery of electronic files, along with more streamlined grade reporting for district-delivered courses will promote increased accuracy.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

January 18, 2013

Mr. David W. Martin, CPA
Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

RE: Response to the Florida Auditor General's Report

Dear Mr. Martin:

I am writing in response to a letter dated December 19, 2012 relative to the preliminary and tentative findings and recommendations which may be included in the final operational audit of the Virtual Instruction Programs in the State of Florida. Please find below K12's response to the findings.

1. **Finding No. 15: During the course of our Audit, K12 Inc., management did not always provide our audit team with complete and timely access to information requested. Our ability to access this information in an efficient and timely manner was crucial to achieving our audit objectives.**

   Management Response

   With respect to our Virtual Instruction Program (VIP) solution, while we offer one VIP solution to our Florida partners, components of the solution live natively on different systems with different data structures and reporting capabilities. As a result, collection, aggregation and analysis of the data requested by the Auditor General's office is a time-consuming prospect that is dependent upon a variety of teams and systems. This is a known issue that K12 Inc., has been working to address. We have new capabilities today that did not exist six months ago and expect make additional progress this calendar year. Accordingly, we expect to improve the timeliness and completeness of our responses in the future.

2. **Finding No. 16: Some detailed electronic records and supplementary metadata (information necessary for us to interpret and analyze data, including file layouts and definitions, record counts, delimiting characters and control totals) were, upon audit request, either not provided by K12 Inc., not provided timely, or contained data anomalies, precluding us from using the data for further analysis. In addition, K12 Inc., has not obtained an independent service auditor's report related to controls designed and established for its VIP customers.**

   Management Response

   K12 Inc. has several initiatives underway that will improve the quality and completeness of our data in the future.

www.k12.com 2300 Corporate Park Drive Herndon, VA 20171

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

3. **Finding No. 17: Certain K12 Inc., security controls related to user authentication needed improvement.**

   Management Response

   K12 Inc. concurs with this recommendation and will continue to review the current state of user authentication, develop appropriate policies and standards to govern this area, and make application changes to support these policies and standards, wherever possible.

4. **Finding No. 18: Some inappropriate or unnecessary IT access privileges existed at K12 Inc.**

   Management Response

   K12 Inc. concurs with this recommendation and will continue to review the current state of access management for IT systems, and make improvement in our policies and standards to govern this area.

5. **Finding No. 19: K12 Inc. had not developed and tested a written disaster recovery plan for the restoration of critical VIP processing or recovery of the corresponding data files, including school and operational data.**

   Management Response:

   K12 Inc. concurs with this recommendation and will continue working to develop a Business Continuity and Disaster Recovery plan. K12 Inc. will also execute a test to identify any issues with the viability of this contingency solution.

6. **Finding No. 20: K12 Inc. had not established comprehensive written policies and procedures for monitoring VIP computing infrastructure performance or backup processes for critical programs or data.**

   Management Response:

   K12 Inc. concurs with this recommendation and will continue to develop standards for performance monitoring and backup processes, and make necessary infrastructure changes to support these standards.

7. **Finding No. 21: K12 Inc. did not provide, upon audit request, background screenings for some employees. Additionally, K12 Inc. did not perform background screenings for some employees or periodic re screenings for all existing employees.**

   Management Response:

   As of the date of this response, K12 Inc. can confirm that 100% of the team members associated with VIP program in Florida have been background-screened and cleared. With regard to the Auditor General's finding that K12 Inc. did not provide information related to some employees, this was due to K12 Inc.'s desire to protect employee privacy.

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

In closing, I would like to thank your staff for their support, professionalism and courtesy during the audit process.

Sincerely,

John Olsen

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

EDMENTUM, INC.

State of Florida Virtual Instructions Program

EdOptions Academy Response to Findings

Riera, Vin

1/17/2013

This document contains the response to Finding Nos. 22 through 27 as described in the preliminary and tentative findings report provided on December 19, 2012.

Vin Riera

President & CEO
Edmentum, Inc.
Suite 300, 8200 Tower
5600 West 83rd Street
Bloomington, MN 55437

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

Finding No. 22: Some detailed electronic records provided upon audit request by EdOptions contained data anomalies, precluding us from using the data for further analysis. In addition, EdOptions has not obtained an independent service auditor's report related to controls designed and established for its VIP customers.

Response: The EdOptions system displays and reports data entered directly by School Districts and we will review the possibility of creating edit checks to minimize data anomalies created through that entry. Also, we will investigate the feasibility of obtaining an independent service auditor's report

Finding No. 23: Certain EdOptions security controls related to user authentication and the protection of confidential and sensitive information needed improvement.

Response: EdOptions is reviewing any potential security controls shortcomings and will take appropriate remediation action as needed.

Finding No. 24: Some inappropriate or unnecessary IT access privileges existed at EdOptions.

Response: EdOptions is reviewing any potential unnecessary IT access privileges and will take appropriate remediation action as needed.

Finding No. 25: EdOptions had not developed and tested a written disaster recovery plan for the restoration of critical VIP processing or recovery of the corresponding data files, including school an operational data. In addition, the off-site alternate processing facility was not outside the proximity of the primary data center facility.

Response: EdOptions is scheduled to have additional documented capabilities for disaster recovery implemented and documented in 2013 that will increase the distance between data center facilities.

Finding No. 26: EdOptions had not established written policies and procedures for monitoring VIP computing infrastructure performance.

Response: EdOptions will be generating written versions of the policies and procedures

EXHIBIT D (CONTINUED)
MANAGEMENTS' RESPONSES

currently in place for monitoring the VIP computing infrastructure performance.

Finding No. 27: EdOptions had not performed background screenings of employees hired prior to July 29, 2005. In addition, for those employees for whom initial background screenings had been performed, EdOptions had not reperformed the background screenings on a periodic basis. Furthermore, EdOptions had not performed background screenings for its contracted technical workers.

Response: EdOptions is reviewing the background screening process and will take appropriate remediation action as needed.