REPORT NO. 2014-076
JANUARY 2014

DUVAL COUNTY

DISTRICT SCHOOL BOARD

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

	District No.
Martha E. Barrett to 11-13-12	1
Cheryl Grymes from 11-14-12	1
Fred "Fel" Lee, Vice Chair to 11-13-12, Chair from 11-14-12	2
William C. Gentry to 11-13-12	3
Ashley Smith Juarez from 11-14-12	3
Paula D. Wright	4
Betty Seabrook Burney to 11-13-12, Chair	5
Dr. Constance S. Hall from 11-14-12	5
Becki A. Couch, Vice Chair from 11-14-12	6
Thomas L. Hazouri to 11-13-12	7
Jason Fischer from 11-14-12	7

William E. Pratt-Dannals, Superintendent to 11-11-12
Dr. Nikolai P. Vitti, Superintendent from 11-12-12

The audit team leader was Dennis W. Gay, CPA, and the audit was supervised by Randy R. Arend, CPA. For the information technology portion of this audit, the audit team leader was Vikki Mathews, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

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DUVAL COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: Employee compensation for certain positions was not always identified on salary schedules, contrary to State Board of Education rules.

Finding No. 2: Improvements were needed in documenting participation in professional development training.

Finding No. 3: Florida School Recognition Program payments were made to certain employees that did not meet applicable eligibility criteria.

Finding No. 4: Leave forms were not always prepared and maintained to document employee absences.

CASH CONTROLS

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

RESTRICTED RESOURCES

Finding No. 6: The District did not allocate E-payable and purchasing card program rebates generated by restricted resources to appropriate District funds.

PROCUREMENT

Finding No. 7: Controls over the use of purchasing cards could be strengthened.

CONSTRUCTION ADMINISTRATION

Finding No. 8: Construction administration procedures could be improved.

CONTRACT MONITORING

Finding No. 9: The District needed to enhance its procedures for monitoring payments to the Schultz Center for Teaching and Leadership.

Finding No. 10: Controls over contractual services and related payments could be enhanced.

Finding No. 11: Enhancements were needed in monitoring of insurance for District charter schools.

FACILITY SAFETY

Finding No. 12: The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 13: Controls over facilities construction and maintenance activities could be enhanced.

RESOURCE UTILIZATION

Finding No. 14: Controls over the District's motor vehicle maintenance and fuel usage monitoring could be enhanced.

INFORMATION TECHNOLOGY

Finding No. 15: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 16: District IT security controls related to user authentication, data loss prevention, and monitoring of application data changes needed improvement.

Finding No. 17: The District's IT security program could be improved.

Finding No. 18: The District's disaster recovery planning procedures needed improvement.

BACKGROUND

The Duval County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Duval County. The governing body of the District is the Duval County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the Board.

During the 2012-13 fiscal year, the District operated 162 elementary, middle, high, and specialized schools; sponsored 21 charter schools; and reported 126,763 unweighted full-time equivalent students.

The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2013, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Personnel and Payroll

Finding No. 1: Salary Schedules and Employee Compensation

Pursuant to Section 1011.60(4), Florida Statutes, the District must expend funds for salaries in accordance with salary schedules adopted by the Board in accordance with law and State Board of Education (SBE) rules. SBE Rule 6A-1.052, Florida Administrative Code (FAC), requires that the Board annually adopt salary schedules for employees of the District and that the schedules be the sole instruments used in determining compensation of District employees.

The Board adopted salary schedules for the 2012-13 fiscal year and District employees were assigned to a pay group and pay level on the applicable salary schedule for use in determining the salary for position. Our review of the District's salary schedules and compensation for certain employees disclosed the following:

- Sixty-one employees with salaries and benefits totaling $3,890,112 were placed in a pay group and pay level that was not included on the salary schedule. In addition, for 3 of the 61 employees, the base salary paid exceeded the highest possible salary available on the respective salary schedule.
- Thirty-three salary schedules were established and used in the District's enterprise resource planning system; however, 6 of the salary schedules were not approved by the Board, contrary to the SBE rule 6A-1.052, FAC.

District personnel acknowledged that the 6 salary schedules were not approved by the Board and, in certain instances, salaries were determined by other agencies, such as the Federal Race-to-the-Top program coordinators and Reserve Officers Training Corps instructors, and compensation of other employees was excluded from the salary schedule for convenience. However, absent use of Board-approved salary schedules, employee compensation may be inconsistent with Board intent or in violation of law or SBE rules.

Recommendation: The District should improve its payroll procedures to ensure that Board-approved salary schedules are the sole instruments used in determining employee compensation.

Finding No. 2: Out-of-Field Teaching Assignments

SBE Rule 6A-1.0503, FAC, defines qualified instructional personnel and provides, in part, the parameters governing the assignment of instructional personnel to teach outside their field of certification. The District provided English for speakers of other languages (ESOL) professional development training for teachers required to have such certification in order to not be considered out-of-field, as well as teachers seeking to renew their regular teaching certification. The ESOL training program required ESOL teachers who were not the primary providers of English, language arts, or reading instruction to ESOL students, to complete one course, or 60 inservice points. Each ESOL course instructor was required, upon completion of the course, to submit class rosters certifying that the participants attended or made up work for all scheduled classes and increased their competencies in 80 percent of the course objectives attempted to earn the 60 inservice points.

For the 2012-13 fiscal year, District records indicated 1,551 District employees successfully completed ESOL training courses. Our review disclosed that enhancements in controls over the development training process could be made, as follows:

- Class rosters for one ESOL class indicated that 32 District employees successfully completed ESOL training and were each awarded 60 inservice points. However, the class rosters did not include either the participant's initials or signature acknowledging attendance for the dates listed. Absent documentation that individual participants attended all required training days, such as signing or initialing class rosters, the District has limited assurance that participants successfully completed the training requirements.
- The District received e-mails from two teachers that were listed on the class rosters discussed above as having been present every scheduled day for the course; however, both teachers indicated in the e-mails that they had not attended every day and, as they had not completed the course, requested that the 60 inservice points awarded be removed from their personnel records.

Improperly awarding inservice points and ESOL certifications increases the risk that students may be taught by instructors who are not properly certified (i.e., out-of-field).

Recommendation: The District should enhance its procedures to ensure that professional development training attendance is properly documented with the initials or signatures of the participants.

Finding No. 3: Florida School Recognition Program

Pursuant to Section 1008.36, Florida Statutes, the District received Florida School Recognition (FSR) program financial awards and reported $5,269,826 of expenditures of such awards for 85 schools for the 2012-13 fiscal year. As specified in statute, schools must use awards on nonrecurring faculty and staff bonuses; or for nonrecurring expenditures for educational equipment and materials, or temporary personnel, to assist in maintaining or improving student performance.

School staff and school advisory councils of the respective schools jointly approved a plan for each school that prescribed criteria to use in awarding FSR bonuses. We selected ten FSR bonus payments made in the 2012-13 fiscal year from ten different schools and evaluated the nonrecurring faculty and staff bonus payments for compliance with the respective school plan criteria. Our review disclosed three employees were paid bonuses, contrary to the approved plans, as follows:

- For one school, a school administrator received a bonus of $1,512, although the school's plan only provided bonus funds to certain teachers and support staff. District personnel indicated that the intent was for full-time certificated employees, including school administrators, to receive bonus funds; however, District personnel confirmed that bonuses for schools administrators were not included in the plan.
- For another school, a part-time instructor received a bonus of $500, although the school's plan only provided bonus funds to certain full-time staff. District personnel confirmed that the part-time instructor did not meet the eligibility criteria.
- At a third school, an instructor received a bonus of $393 and only worked 56 days, although the school's plan only provided bonus funds to certain certificated personnel who worked a minimum of 135 days. District personnel confirmed that the instructor did not meet the eligibility criteria.

District personnel indicated that checking the eligibility of each employee may not have been adequately performed in their efforts to timely remit bonus payments. Without adequate procedures to review the respective plan criteria and employee eligibility, there is an increased risk that FSR program bonuses may be paid incorrectly or to ineligible employees.

Recommendation: The District should enhance procedures to ensure that FSR program bonus payments are paid only to eligible employees. The District should also determine the extent of incorrect bonus payments and take appropriate action for proper resolution.

Finding No. 4: Attendance and Leave Records

Under the District's System Management for Attendance in Real Time (SMART) procedures, full-time employees are compensated on a payroll by exception basis in which gross salary payments will be the same amount from one payroll cycle to the next, unless specific actions are taken to change the scheduled contract hours or rate of pay. The District had 156 schools and 141 departments that used the SMART procedures for monitoring employee attendance and leave, and payroll technicians periodically performed SMART reviews of payroll records prepared and maintained by timekeepers in all schools and 23 departments during the 2012-13 fiscal year. Our review disclosed:

- The payroll technicians made notations on the review checklists indicating deficiencies identified, such as leave forms not located, not signed by employees, or not filed with the correct payroll; however, District records lacked evidence of the specific exceptions noted by the SMART reviews or extent of those exceptions. District personnel indicated that their review results only included general notes about missing or incomplete information to place less emphasis on the number of errors and more emphasis on the need to have complete and accurate records.
- District records lacked evidence of the basis upon which follow-up reviews were not performed for 7 of the 10 schools that initially had missing or incomplete leave forms and attendance records, although they were recommended for follow-up reviews. District personnel indicated they used alternate procedures to determine that adequate improvements had been made for these 7 schools and that formal follow-up reviews were not needed, although the alternate procedures were not documented. Further, for 2 of the 3 schools that had follow-up reviews, District records evidenced similar exceptions of missing, incomplete, or incorrect forms and entries in the payroll system, without evidence of how the exceptions were resolved.

Without detailed documentation of deficiencies noted, and sufficient documentation of follow-up procedures performed and related corrective actions implemented, there is an increased risk of inaccurate salary payments and leave balances. A similar finding was noted in our report No. 2011-042.

Recommendation: The District should continue its efforts to improve the leave documentation process and emphasize the importance of accurate and timely leave records.

Cash Controls

Finding No. 5: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities. In addition, SBE Rule 6A-1.0012, FAC, authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that contains manual signatures of employees authorized to initiate EFTs. SBE Rule 6A-1.0012(2), FAC, requires the District to maintain written authorization from a payee who authorizes direct deposit of funds to the payee's account.

Board Policy 7.20, *Accounting and Control Procedures*, provides that the Superintendent shall develop and the School Board approve procedures under which any funds under their control are allowed to be transmitted by electronic transaction. During the 2012-13 fiscal year, the District regularly used EFTs to make electronic disbursements for debt service payments, purchases and sales of investments, direct deposit of employee pay, and vendor payments. The District had six agreements with financial institutions for banking and investment services that provided for EFTs. According to District records, cash and cash equivalents and investments totaling $352 million were available for electronic transfer at June 30, 2013. Our review of EFT procedures and processes disclosed the following:

- While the District had informal EFT processes, such as use of EFT control documents that identified employees who initiated and authorized EFTs, the Board's adopted written policies did not prescribe the accounting and control procedures for EFTs, including the use of electronic signatures, contrary to Section 1010.11 and Chapter 668, Florida Statutes.
- Contrary to SBE Rule 6A-1.0012, FAC, five of the six agreements did not indicate the employees authorized to initiate EFTs and none of the agreements contained the manual signatures of the employees authorized to initiate EFTs. In addition, two of the agreements did not contain the manual signature of the Superintendent and five agreements did not contain the manual signature of the Board Chair. District personnel indicated that the District would update the agreements to indicate the employees authorized to initiate EFTs and include the required signatures.
- Contrary to SBE Rule 6A-1.0012(2), FAC, District records did not evidence written authorizations from 52 of the 142 vendors that received vendor payments by EFT. District personnel indicated written authorizations were not obtained in certain circumstances, such as when vendor invoices indicated that credit card payments were accepted.

While the District had established certain controls over EFTs, such as supervisory review of EFTs and independent bank account reconciliations, and our tests did not disclose any EFTs for unauthorized purposes, the lack of specific guidance in the form of Board-approved written policies and procedures, required signatures of employees authorized to initiate EFTs, and written authorizations of EFTs from vendors increases the risk of misappropriation of funds without timely detection.

Recommendation: The Board should enhance its written policies and procedures to address accounting and control procedures for EFTs, including the use of electronic signatures. Such policies and procedures should ensure that EFT agreements indicate employees authorized to make EFTs and contain required signatures of the authorized employees, superintendent, and Board chair. The District should also ensure that written authorizations are obtained from vendors authorizing payments by direct deposit.

Restricted Resources

Finding No. 6: Electronic Payment and Purchasing Card Rebates

The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing process. The District also maintains an e-Payables program with the financial institution as a convenient option for vendors to receive payments. As an incentive, the District receives annual rebates from the financial institution for each program, with the amounts determined based on the dollar amount of P-card purchases and e-Payables payments during annual periods. For the 2012 calendar year, the District had P-card purchases and e-Payables payments totaling $6,429,919 and $14,675,963, respectively, resulting in receipt of rebates of $102,879 and $234,815, respectively, as of March 2013.

The $337,694 in rebates received by the District included $58,361 and $41,983 that were generated by purchases using restricted District moneys in the special revenue and capital project funds, respectively. However, the rebates were not allocated to the funds from which the P-card purchases and e-Payables payments were made. Instead, the $100,344 of rebates were recognized as revenue and applied to the General Fund, which is used for general operating purposes.

District personnel indicated that, in their opinion, Federal requirements do not apply to these transactions because the rebates are from an arm's length agreement entered into with a third party (bank) and the income generated by the bank from electronic payment processing fees does not represent a deduction from the cost of goods or services. Notwithstanding the District's justification, as certain Federal and State resources are typically restricted by Federal or State law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate funding source, there is an increased risk that rebates generated by restricted sources may be used for purposes inconsistent with the restrictions on these resources.

Recommendation: The District should consult with the appropriate Federal cognizant agency and the Florida Department of Education for resolution on the use and allocation of rebates received on P-card purchases and E-payables payments.

Procurement

Finding No. 7: Purchasing Card Program

The District provides credit cards (P-cards) to certain authorized employees for the purchase of goods and services. In general, P-cards are designed to efficiently and effectively handle and expedite low dollar purchases of goods and services. As of June 30, 2013, the District reported 735 active P-cards and P-card charges totaled $6,389,865 during the 2012-13 fiscal year.

The District appointed a P-card administrator with the authority to revise a cardholder's purchasing limit and developed a P-card manual (revised September 1, 2012) that addressed management controls over P-cards, including monthly reconciliations of card statements to supporting invoices and other correspondence. The P-card manual requires cardholders to review their monthly statements for accuracy within seven days of receipt, ensure merchant documentation is complete and available for every transaction, sign the monthly statement, and forward to the approving administrator for review. Such purchases must be supported by vendor invoices, receipts, packing slips, or order forms and include such documentation as vendor identification, date of purchase, description, quantity, unit

cost, total cost, and cardholder name. Accounts Payable Department personnel are responsible for providing lists of cardholders that submit untimely monthly reconciliations of P-card charges to supporting documentation to the P-card Administrator for P-card privileges to be temporarily suspended (credit limits reduced to $1) until documentation is provided.

In addition, the District's P-card manual requires that transaction limits be established for each cardholder, prohibits purchases from being split to circumvent a $750 per transaction limit, and prohibits P-card use for certain expenditures, such as vehicle and building repairs and medical services. The agreement with the financial institution processing P-card transactions limits the District's time for disputing charges to 60 days after the statement date in which the transaction occurred. The P-card manual provides that, if the monthly reconciliation is not timely submitted, the cardholder may be required to receive additional training. Further, the Human Resources (HR) Department notifies the P-card administrator of employment terminations to cancel cards.

We reviewed purchases totaling $118,304 from 58 monthly reconciliations for 42 cardholders to determine whether P-card use was consistent with the District's P-card manual and good business practices. Our review disclosed the following:

- Contrary to the P-card guidelines, P-cards were used for vehicle repairs totaling $102,874, medical services totaling $5,537, and building repairs totaling $2,860. Although the expenditures were approved by the P-card Administrator and respective supervisors and were for District purposes, the P-card manual did not authorize the use of P-cards for such purposes.
- Purchases from ten vendors totaling approximately $26,280 were split into 63 transactions that appeared to circumvent the $750 cardholder transaction limit. For example, a cardholder made five separate purchases of $558 each from January 3 to January 11, 2013, to the same vendor for a total of 20 two-way radios costing $2,940. While the P-card Administrator only considered purchases as split when they were made to the same vendor, on the same date, and the total amount exceeded $750, purchases that accumulate to $750 or greater made to the same vendor over a short time period increase the risk that such purchases are split to circumvent Board intent in establishing the transaction limits.
- A list, dated May 6, 2013, of employees who did not timely submit monthly reconciliations to the Accounts Payable Department of P-card charges to supporting documentation through March 2013, identified 18 cardholders with transactions totaling $28,496 that were unsupported for 3 to 14 months. Also, 2 of the 18 cardholders, and 3 other cardholders, did not timely submit monthly reconciliations for three or more monthly billing cycles in the 2011-12 and 2012-13 fiscal years. Subsequent to our inquiry on July 29, 2013, District personnel indicated that documentation was received for all but 5 cardholders. Of these 5 cardholders, 2 had their cards temporarily suspended. Without timely support of P-card transactions within the 60-day limit to dispute charges, the District's ability to satisfactorily resolve disputed charges may be limited.
- For three transactions tested totaling $9,235, supporting documentation included vendor identification, date of purchase, quantity, unit cost, total cost, and cardholder name; however, the documentation did not include descriptions to determine the necessity and public purpose of the purchase. Although the District had several transactions with one of the vendors during the fiscal year for educational program registration fees, the other two vendors did not have other transactions to assist in determining the necessity and public purpose of the purchases.
- P-cards for 3 of the 13 individuals who terminated employment from July 1, 2011, to March 17, 2013, were inadvertently not timely cancelled. The cancellations were 76, 87, and 420 days after the employees' termination dates. Although the HR Department timely notified the P-card Administrator for two of the employment terminations, District records did not evidence that the HR Department timely notified the P-card Administrator for one of the terminations. The 3 P-cards were not used subsequent to the employment terminations; however, without timely cancellation of cards of terminated employees, there is an increased risk that the cards could be misused by former employees or others.

A similar finding was noted in our report No. 2011-042.

Recommendation: The District should enhance procedures to ensure that P-cards are only used for purposes authorized by the P-cards manual, purchases are not split to circumvent transaction limits, purchases are supported by sufficient documentation to evidence the necessity and public purpose of the expenditures, and P-cards of terminated employees are timely cancelled.

Construction Administration

Finding No. 8: Construction Administration

Section 1013.45(1)(c), Florida Statutes, authorizes the District to contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. To appropriately monitor CME activities and ensure net cost savings are achieved for construction projects, it is important for the District to review documentation submitted by the CME to support payment requests.

The District's Facilities Planning and Construction Department is responsible for construction administration, which includes monitoring and approving CME activities, pay requests, and supporting documentation. To determine whether construction administration and monitoring procedures were designed properly and operating effectively, we reviewed District procedures and related records for the Robert E. Lee High School New Construction and Renovation project. The Board approved the $28.5 million construction management (CM) agreement for the project with a CM firm in November 2010. Our review disclosed that controls over construction administration could be enhanced as discussed below:

- The CM management fee was initially estimated in a GMP proposal and, after negotiation of the number and duration of CM firm personnel assigned to the project, each employee's labor burden multiplier, and other miscellaneous costs, the estimated CM management fee was converted to a fixed, lump sum fee totaling $1,390,070 in the CM agreement. The negotiated labor burden percentages included vacation, sick, personal, holiday, and training and education leaves, ranging from 11.81 to 13.31 percent per employee salary, and was applied to each employee's direct salary and included in the fixed lump sum CM management fee. However, by making CM fee a fixed amount based on the maximum assigned working hours during the scheduled project period, the District effectively agreed to pay the CM firm's employee salaries and leave-related labor burden costs when employees were working and when they were on approved leave. The additional leave-related costs included in the CM management fee as a result of the negotiated fixed fee totaled $178,335. District personnel indicated that it was reasonable to include all leave in the labor burden rate as the CM provided replacement staff in the event of employee leave; however, District records did not evidence when CM employees were on leave and the labor costs of replacement staff. Without appropriate monitoring procedures to reduce the GMP for actual labor costs, there is an increased risk of overpaying for these services.
- Also, State Unemployment Tax Act (SUTA) and Federal Unemployment Tax Act (FUTA) rates charged are limited to the first $8,000 and $7,000 of wages, respectively. However, the negotiated labor burden calculations in the approved agreement did not limit the wages subject to the labor burden for these costs. In response to our inquiries, the District contacted the CM firm and the CM firm subsequently provided documentation indicating the amounts included in the fixed CM fee for SUTA and FUTA exceeded the CM firm's actual costs by $9,580.

- Section 1013.37(2)(c), Florida Statutes, provides that the District may not occupy a facility until the project has been inspected to verify compliance with rules, statutes, and codes affecting the health and safety of the occupants. Because the project was completed and occupied in phases, temporary certificates of occupancy were issued pending completion of the project, and the project was completed and issued a certificate of occupancy dated August 23, 2013. Our review of the two temporary certificates of occupancy issued disclosed that, for one phase of the project the certificate was issued for the period August 15, 2012, to November 15, 2012, and for another phase for the period February 1, 2013, to April 30, 2013; however, no additional temporary certificates of occupancy were issued between the respective expiration dates and the August 23, 2013, completion date. Although temporary certificates of occupancy may be issued before completion of the entire project certifying that a portion or portions of the project may be occupied safely, when temporary certificates of occupancy expire, District records do not evidence that the project complies with rules, statutes, and codes affecting the health and safety of the occupants.

Recommendation: The District should improve its monitoring of construction administration to achieve maximum cost savings under the GMP contracts and ensure that buildings are not occupied before issuance of required certificates of occupancy. In addition, the District should seek recovery of $9,580 for amounts included in the CM fee for SUTA and FUTA that exceeded the CM firm's actual costs.

Contract Monitoring

Finding No. 9: Schultz Center

Section 1012.985, Florida Statutes, provides that regional professional development academies, such as the Schultz Center for Teaching and Leadership (Center), operate in partnership with area business partners to develop and deliver high-quality training programs for the District. This section also requires that an academy operate under contract with its public partners, and provides that the academy retain proper documentation evidencing that District funds provided to the academy are expended for authorized purposes as prescribed in the contract and that services to the District are commensurate with the funds paid to the academy for those services.

For the 2012-13 fiscal year, the District's contract with the Center required, in part, that the District provide sufficient in-kind personnel to facilitate delivery of the agreed upon services, and that the Center provide to the District an invoice and a detailed accounting each month documenting that expenditures were for authorized purposes. The contract further required that the District reimburse the Center for the cost of professional development and personnel provided to the District. The contract also authorized reimbursement for snacks and meals during meetings and workshops in accordance with applicable guidelines and supported by appropriate documentation, and a 4.5 percent management fee for the agreed upon services. The contract provided for a maximum reimbursement to the Center of $2,454,098 based on the estimated costs for 22 program delivery areas. Reimbursements to the Center were funded from the District's General Fund and the District reported expenditures of $2,039,803 for such reimbursements. Our review disclosed that the District needed to enhance its procedures for monitoring the Center's compliance with the contract provisions, as discussed below:

- The District did not establish or require the Center to provide estimated costs for any of the 22 program delivery areas prior to approving the agreement. District personnel indicated the program area budgets were developed by the Superintendent's office, District personnel, and Center personnel based on prior fiscal year budgets for similar program delivery areas with the objective of not exceeding the $2,454,098 maximum reimbursement amount. However, District records did not evidence the basis upon which program area budgets were developed.
- The Center provided a monthly invoice to the District showing the total expenses charged to each program delivery area and the amount expensed by categories, such as salaries, benefits, professional fees, and supplies;

however, the support provided with the monthly invoice was not in sufficient detail for the District to determine whether funds were expended for authorized purposes. For example, supporting documentation for most salaries and benefits only listed the Center employee's initials and amounts paid and, although District personnel indicated that the Center maintained documentation to evidence the time and effort the employees provided to the various program areas, the District did not require it to be submitted with monthly invoices and reviewed as support for costs charged. District personnel indicated that monitoring procedures had been developed in a prior fiscal year to review the Center's supporting documentation on a sample basis, including time and effort records; however, the reviews were not performed during the 2012-13 fiscal year because of staffing limitations.

- District records did not evidence the reasonableness of the 4.5 percent management fee totaling $87,838 in addition to reimbursing the Center for the full cost of certain operating personnel and other operating costs for managing the professional development programs. District personnel indicated the management fee was for services provided by the Center at no cost to the District and not included in other costs of the contract, such as for use of the Center facility for District meetings, administration and production of ceremonies, and maintenance of instructional training certification and renewal records; however, as these services were not part of the contract and not commensurate with the services provided, the management fee, totaling $87,838, represents questioned costs.
- The District paid $747,528 (37 percent of the contract payments) to the Center for certain administrative salaries, benefits, and other operating costs, such as office supplies, printing, equipment, data communications, and software licenses that were allocated to the various program areas based on the percentage of the program area's budget to the total budget. However, actual costs varied from budgeted costs by 20 to 80 percent for 10 program areas and, as a result, District records did not evidence that the allocations were commensurate with the funds paid for those services in total and by program area. Further, the administrative charges included $325,550 for the entire salary and benefit costs for certain Center operating personnel, such as technology and accounting personnel, who also supported other Center programs and activities that were not contract related. The Center's audited 2012-13 fiscal year financial statements indicated that approximately 78 percent of the Center's revenues were derived from the District contract. Using that percentage as an allocation basis, only $253,929 of the $325,550 of administrative charges for salaries and benefits should have been charged to the District, and the $71,621 difference represents questioned costs.
- The District paid $35,149 to the Center for dining, catering, and related services for the 2012-13 fiscal year; however, invoices and supporting documentation submitted by the Center did not always evidence that the expenses were provided in accordance with the agreement or applicable guidelines. For example, agendas supporting charges of $14,782 did not indicate the length of the working meal period to evidence that the working meal period met the applicable guidelines; charges of $12,906 without supporting documentation, such as agendas; charges of $381 for items such as linens, delivery fees, and paper products that were not addressed in the agreement or guidelines; and charges of $324 without supporting documentation. Absent documentation that these expenses were provided in accordance with the agreement and applicable guidelines, these expenses, totaling $28,393, represent questioned costs.
- The District paid $21,455 to the Center for two programs that were not included among the 22 contracted program areas. In response to our inquiries, District personnel indicated these programs were approved in prior fiscal years; however, absent specific approval in the 2012-13 fiscal year contract, these expenses, totaling $21,455, represent questioned costs.

Absent sufficient and appropriate monitoring procedures, the District has limited assurance that funds provided to the Center are expended for authorized purposes as prescribed in the contract and that services to the District are commensurate with the funds paid to the Center for those services. Similar findings were noted in our report Nos. 2008-084 and 2011-042.

Recommendation: The District should enhance its monitoring procedures to ensure that District payments to the Center are for actual authorized costs incurred and are commensurate with the services provided. In addition, the District should require the Center to document the allowability of the above-noted questioned costs, totaling $209,307, or request a refund of this amount.

Finding No. 10: Contractual Services

The District is responsible for establishing controls to provide assurance that the process of contracting for services is effectively and consistently administered. Effective contract management requires following prescribed statutes, rules, and policies regarding the method of procurement, approval of purchases by the Board or reporting competitive purchases to the Board, monitoring contractor performance and service delivery to ensure compliance with the terms and conditions of the contract, verifying receipt of contract deliverables, and evaluating the achievement of District goals. Effective contract management also requires verification, prior to payment, that contractor-submitted charges are allowable, accurate, and adequately documented.

Pursuant to Section 1001.41, Florida Statutes, the Board is the District's contracting agent. SBE Rule 6A-1.012, FAC, provides that the District must request bids or proposals from three or more sources for any authorized purchase or contract for services exceeding $50,000. In lieu of requesting competitive solicitations, the District may make purchases at or below the specified prices from contracts awarded by a State agency, when permitted using the same terms, conditions, and prices (or below such prices) as the State agency contract. While the superintendent or designee may be authorized to purchase contractual services where the total amount does not exceed an amount prescribed by the Board, SBE rules exempt contracts for services from the competitive solicitation process for certain professional services.

Board Policy No. 7.70, *Purchasing*, requires, in part, that bid awards in excess of $100,000 be approved by the Board and that a monthly report be provided to the Board for purchases not requiring Board approval, including commodity purchases, purchases exempt from competitive selection as specified in SBE rules, and competitively awarded purchases in excess of $50,000. Section 112.313(3), Florida Statutes, provides, in part, a public officer or employee, acting in a private capacity, cannot rent, lease, or sell any realty, goods, or services to the officer's or employee's own employer.

The Board routinely enters into contracts for services, and internal controls have been designed and implemented to ensure competitive purchases not approved by the Board are reported to the Board and payments are generally consistent with contract terms and conditions. For the 2012-13 fiscal year, payments for contractual services exceeded $240 million. To determine the propriety of payments for contractual services during the 2012-13 fiscal year, we tested expenditures totaling $9,646,184 from 17 consultant services contracts and $645,582 from 18 bid and service agreements, and noted improvements were needed. For example:

- The District issued four purchase orders totaling $1,149,651 to an information technology (IT) consulting services firm that was included in the State contract listing. However, except for one purchase order of $130,000, the District inadvertently did not obtain Board approval of these IT consulting services, contrary to Section 1001.41, Florida Statutes, and Board policy. Also, contrary to these requirements, the District issued a $646,977 purchase order to another IT consulting firm, without Board approval. The purchase order for these services indicated that the firm was selected based on a State contract; however, the firm was not included on the State contract listing and District personnel indicated that a vendor with a similar name was mistaken for the vendor contracted by the District.
- The Superintendent entered into an agreement with a vendor based on an invitation to bid for temporary nursing services totaling $70,000 on May 1, 2012. The agreement provided a minimum pay rate of half a day

or four hours; for more than four but less six hours, the hourly rate would be applied to the nearest half hour; and, for six or more hours, the maximum rate of a full day or eight hours would be paid. We tested a weekly invoice totaling $10,992 dated March 9, 2013, and noted 10 instances in which contractors worked fewer than 6 hours, although the invoiced amount was for a full day, resulting in an overpayment of $721. Subsequent to our inquiries, District personnel identified overpayments for the 2012-13 fiscal year totaling $29,761, and indicated the overpayments would be recovered through credits to future invoices.

We also noted for this agreement that the District authorized eight change orders to the purchase order totaling $174,000 from September 27, 2012, through June 7, 2013, ranging from $20,000 to $50,000, increasing the authorized amount from $70,000 to $244,000. District personnel indicated that the change orders were issued throughout the fiscal year because of a new statute and Board policy requiring additional services for students with diabetes. District personnel further indicated that the extent of the additional services needed could not be reasonably estimated. However, District records did not indicate why the eight change order increases were necessary, and the District did not obtain Board approval of the purchase of the additional services, contrary to Section 1001.41, Florida Statutes, and Board policy.

- The Board awarded a bid for wireless equipment and software on June 2, 2010, providing a 44 percent discount from the vendor's most recent pricing list. We tested one payment of $135,527 from the 2012-13 fiscal year and noted that the items purchased were bundled with other parts and services and the bundled products were not included on the pricing list. As such, District records did not evidence that the appropriate discount was received.

- The District issued purchase orders of $171,801 and $133,749 to two vendors for landscape maintenance services at 49 and 24 locations, respectively. The District was to pay the vendors based on monthly invoices supported by service tickets signed by District personnel acknowledging receipt of services; however, one invoice from each vendor, totaling $19,920 and $7,868, respectively, disclosed that the vendors were paid without service tickets signed by District personnel evidencing receipt of services.

  We also noted for one of the vendors that correspondence maintained in District records sometimes referenced service locations that were not specified in the bid award. The bid award stated that sites for work may be added or deleted as required for the duration of the contract and the District's approval was required before work commenced. The bid award specified that when a site was added, the cost to maintain that site should be negotiated at that time, but must be in relation to other sites of similar size and design. Payments to the vendor for landscape maintenance service (e.g., mowing, edging, trimming, weeding, pruning, and clearing debris) in July, August, October, and November 2012 disclosed the following:

  - District records did not evidence District approval or the basis for determining costs totaling $13,112 for 5 locations not specified in the bid award.
  - Although the bid did not include provisions for increases over the amount specified in the award, costs for 9 locations exceeded the price specified in the bid award by a total of $8,220, and costs for 3 routine services exceeded the price specified in the bid award for 22 locations by a total of $3,942.

- The District renewed a bid for termite treatment services and issued a $65,000 purchase order on August 3, 2012, for services to be provided during the 2012-13 fiscal year. The bid award provided a cost per linear foot for annual termite treatment service, including bi-annual inspections of 165 cost centers, and the vendor was required to provide inspection reports for each location inspected and periodic invoices signed by a District representative evidencing receipt of services. Four invoices for annual termite treatment services totaling $19,767 disclosed that the District paid the vendor without being required to submit invoices with signatures evidencing receipt of services. For example, for three invoices for the months of June 2012, October 2012, and April 2013, totaling $7,034, $4,838, and $5,229, respectively, District records contained signed inspection reports for 3 percent, 44 percent, and 4 percent of the locations, respectively.

- The Board approved a bid for roofing repair in a prior fiscal year that provided unit prices for 38 different roofing services. The District issued a purchase order for $167,700 on April 4, 2012, for roofing repairs for six buildings at an elementary school based on the vendor's proposal. The vendor's proposal indicated the number of square feet of roof to be repaired and other services that would be required and provided cost estimates of $142,200 for five buildings with flat roofs and $24,500 for one building with a shingle roof.

District personnel also prepared an independent estimate that estimated a construction budget of $172,217. However, neither the vendor's proposal nor the District's estimate was based upon or reconcilable to the unit prices in the bid award. Absent documentation of the specific products and services to be provided based on pricing shown in the bid award, District records do not evidence that the final cost was based on bid prices. Subsequent to our inquiries, District personnel obtained a detailed reconciliation of the vendor's proposal to bid prices showing that charges of $72,754 were for roof repair labor and materials with pricing based on a bid award line item for work not otherwise specified. However, when vendor proposals are not reconciled to bid prices prior to issuing a purchase order, the District's risk is increased that final costs may exceed bid prices.

- The District issued a $31,375 purchase order dated April 10, 2012, for playground equipment and installation based on a Clay County District School Board bid that provided vendor discounts from catalog pricing. The purchase order indicated the price was based on a written quote received from the vendor; however, District personnel did not maintain copies of the catalog pricing evidencing that the appropriate discount and pricing was received.
- The Superintendent entered into an agreement dated July 1, 2012, with a company for interim chief financial officer services for $90,000. However, a District employee was also an officer of the company, contrary to Section 112.313(3), Florida Statutes. District personnel indicated that the District did not determine whether the employee's affiliation with the vendor presented a conflict of interest.

Without effective procedures for awarding contracts, documenting satisfactory receipt of goods and services at agreed upon rates prior to payment, and avoiding contractual conflicts of interest, there is an increased risk that errors or fraud could occur without timely detection.

Recommendation: The District should enhance its procedures to ensure that the Board approves contracts as required, payments are made only after satisfactory receipt of goods and services at agreed upon rates is documented, and contractual terms comply with Section 112.313(3), Florida Statutes. In addition, the District should seek recovery of any overpayments, as appropriate.

Finding No. 11: Charter School Insurance

During the 2012-13 fiscal year, the District sponsored 21 charter schools. The charter school agreements required, in part, that the schools provide evidence for the 2012-13 fiscal year of:

- General liability insurance of $1 million per occurrence and $2 million annual aggregate; automobile liability of $500,000 for bodily injury and $250,000 for property damage per occurrence; workers' compensation of $500,000 per occurrence; professional liability of $1 million per occurrence; property and contents of $100,000 per occurrence; and fidelity bond of $100,000 per person.
- Renewal or replacement of insurance coverage no less than 30 days before the expiration or termination of the required insurance.
- The District, board members, employees, and agents of the Board named as additional insureds for the coverage noted.
- A 30-day cancellation notice provision.

The District's School Choice Office is responsible for monitoring the charter schools' compliance with the insurance requirements. Our review disclosed that the District's monitoring procedures for the 21 charter schools could be enhanced, as discussed below:

- District records did not initially evidence that two charter schools maintained one or more required coverages. Contrary to the charter school agreements, one had no record of fidelity bond coverage, and one lacked evidence of general liability coverage, workers' compensation coverage, automobile liability coverage, professional liability coverage, and fidelity bond coverage.

- District records did not initially evidence continuous coverage from the expiration of one policy period to the effective date of the next for five charter schools. For example, general liability, automobile liability, professional liability, and fidelity bond coverages for one charter school expired on March 31, 2013.

Subsequent to our inquiries, District personnel contacted the charter schools and were provided certificates of insurance showing all required types of coverage. District personnel also indicated the District maintained a schedule of charter school deliverables that included the dates insurance coverages were scheduled to expire and the date new insurance certificates were received but that some of the information was incomplete or incorrect. Without adequate procedures to monitor charter school insurance there is an increased risk that such insurance may not be adequate, subjecting the District to potential losses. Similar findings were noted in our report Nos. 2008-084 and 2011-042.

Recommendation: The District should enhance procedures to ensure that District charter schools maintain insurance required by the charter school agreements.

Facility Safety

Finding No. 12: Relocatable Facility Inspections

The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory. Section 5(14), *State Requirements for Educational Facilities* (SREF) - 2012, requires that all District relocatable buildings be inspected for compliance with the standards for satisfactory buildings. Annual inspection reports for all relocatables designed as classrooms or spaces intended for student occupancy must be filed with the Board, and corrections adopted by the Board. Relocatables that fail to meet the standards must not be reported as satisfactory in the Florida Inventory of School Houses (FISH). The FISH is an electronic database created and supported by the Florida Department of Education's Office of Educational Facilities to provide record keeping capabilities for all districts' facilities and is used to allocate maintenance funds to school districts. The districts are responsible for data entry, accuracy, and maintenance.

The District's Code Enforcement Department is responsible for performing the required inspections for relocatable buildings. Upon completion, the inspection reports are provided to the Facilities Planning Department for review and follow-up. The District's relocatable inspection report summaries for the last two fiscal years disclosed the following:

Relocatable Inspection Report Summary			
Fiscal Year	Number of Relocatables	Unsatisfactory Relocatables	Percent Unsatisfactory
2011-12	559	496	89%
2012-13	557	461	83%

The 2012-13 fiscal year inspection report summary projected a cost of $15.7 million to correct all the deficiencies, including $15.4 million to provide for the 440 relocatables cited for lack of covered walkways and other deficiencies. Further, for 280 unsatisfactory relocatables cited during the 2012-13 fiscal year, the lack of covered walkways was the only deficiency noted. The District reported all of its relocatables, including those listed as unsatisfactory in its annual inspections, as satisfactory student stations in its FISH and in its annual Educational Facilities Plan required by Section 1013.35(2), Florida Statutes, and the Educational Facilities Plan provided $575,000 to address relocatable maintenance needs for the 2013-14 through 2017-18 fiscal years. District personnel indicated that certain actions have been taken to reduce the number of unsatisfactory relocatables, including allocating $215,000 in the District's major

maintenance program to address maintenance needs, removing 40 of the 45 wood-constructed relocatables from inventory, and continuing efforts to remove older unsatisfactory relocatables from inventory. When adequate funding is not identified in the Board's five-year District facilities work program to timely correct relocatable building deficiencies, there is an increased risk that relocatable building deficiencies may continue, increasing the safety risks associated with those buildings. Similar findings were noted in our report Nos. 2008-084 and 2011-042.

Recommendation: The District should continue its efforts to ensure relocatables used as classrooms comply with State standards and ensure that only relocatables that meet standards are reported as satisfactory in the FISH.

Facilities Administration and Monitoring

Finding No. 13: Facilities Management

The Facilities Planning, Design and Construction Services (facilities) department is responsible for managing construction and renovation projects. During the 2012-13 fiscal year, the facilities department employed 12 full-time employees and the department's operating cost was $1 million. Also, during this fiscal year, the District had expenditures totaling $30 million for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 13, 2013, the District planned to spend $140 million on construction and renovation projects and $72 million on maintenance over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities including land purchases was $1.7 billion and, as shown in the Florida Department of Education's FISH data, District facilities had an average age of 39 years.

The Facilities Maintenance Services (maintenance) department is responsible for ensuring facilities are safe and suitable for their intended use. The maintenance department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, this department employed 280 full-time employees and the department's operating cost was $26 million.

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

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using traditional design-bid-build and construction management methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance personnel based on safety and suitability priorities. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an

increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.

- **Accountability.** The District's facilities and maintenance departments have established short-term and long-term goals; however, these goals did not fully address accountability for these departments. For example, facilities department goals included reducing initial and long-term costs and providing the most efficient facilities through professional service guides and standard operating procedures. Examples of maintenance department goals, which were also used for evaluating supervisory personnel, included decreasing the monthly backlog percentage by 1 percent and improving preventive maintenance to reduce the number of emergency work orders by 1,000. The maintenance department also routinely monitored certain internally-established criteria, such as work orders completed, average cost per work order, and maintenance cost per square foot by trade. Although these goals were useful for internal monitoring purposes, they did not sufficiently identify cost-effectiveness or efficiency outcomes.

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

Recommendation: The District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should develop additional goals and objectives for the facilities and maintenance departments to identify cost-effectiveness or efficiency outcomes for department personnel.

Resource Utilization

Finding No. 14: Vehicle Maintenance and Fuel Usage

For the 2012-13 fiscal year, the District expended approximately $371,000 and $1,088,000 for motor vehicle maintenance and fuel, respectively. As of April 23, 2013, based on the master fleet vehicle list, the District owned and operated approximately 550 motor vehicles including 266 maintenance department vehicles, 84 police vehicles, and 200 cars, trucks, and vans assigned to various departments. Vehicle maintenance programs that include maintenance records identifying vehicle miles, fuel usage, preventative maintenance services and repairs, and dates of such services, provide evidence of vehicle operating efficiencies. Preventative maintenance measures are also necessary to help minimize vehicle repair and replacement costs.

The District's Fleet Management Department was responsible for managing preventative maintenance and other repair services for District-owned vehicles. The Fleet Management Department used mobile vehicle maintenance and repair vendors to periodically provide preventative maintenance services for the majority of District vehicles, and multiple vendors for about 130 police and passenger vehicles that were not maintained in centralized locations. For vehicles maintained in centralized locations, preventative maintenance services were scheduled two or three times per fiscal year and, for the 130 police and passenger vehicles, the service vendor placed a sticker on the inside of the vehicle windshield indicating the next required service interval. In addition, prior to scheduling vehicles for repair services for police and passenger vehicles, the Fleet Manager indicated he would review the vehicle history records to

determine whether maintenance services should be scheduled along with the repair service if the vehicle was near its next service interval.

The District's enterprise resource planning (ERP) system maintained the vehicle history record information for repair and maintenance services by vehicle number that included a description of the services performed, the date and cost of each service, and optional fields for invoice number and vehicle mileage. The District also used a fuel purchasing card program for monitoring fuel purchases by vehicle, and data from the program was compiled in spreadsheet reports that accompanied the weekly vendor invoice and included such information as date and amount (gallons) of fuel purchased, vehicle odometer readings, miles per gallon (MPG) and cost per mile.

Our review disclosed that the District's fleet and fuel management monitoring procedures could be improved, as follows:

- District procedures did not provide for routine review of vehicle history records for evaluating the operating efficiency of District-owned vehicles. Although vehicle maintenance and repair history records were available from the ERP system and were periodically referred to for warranty and other purposes, these records were not used to prepare periodic maintenance and repair cost reports.
- District procedures did not provide for active monitoring to ensure scheduled maintenance services were timely performed for the 130 police and passenger vehicles that relied on the windshield sticker for the next scheduled service interval. Although the District received vehicle mileage information in the weekly fuel reports, District personnel did not have a procedure for notifying vehicle drivers that maintenance services were due. Instead, vehicle drivers were responsible for scheduling the maintenance services.
- We reviewed 16 payments to two vendors totaling $14,895 for vehicle maintenance and repair services and noted:
  - Vehicle history records for one vehicle indicated two payments for $587 each were based on different work orders showing the same services completed on the same date. District personnel provided documentation indicating only one work order was paid; however, the error resulted in the vehicle repair costs being overstated by $587.
  - One payment for $733 included sales tax although the District is exempt from paying sales tax.
  - District procedures did not require that estimates be obtained from vendors prior to services being performed. District personnel indicated that estimates were obtained, although documentation of the estimates was not retained.
  - District personnel indicated that vendors were required to obtain verbal approval from the Fleet Manager prior to services being performed and vendors submitted invoices to the Fleet Manager after services were performed. However, documentation was not maintained of services verbally approved and District procedures did not require that drivers obtain documentation from vendors for work performed or to sign off that services were received. In these circumstances, vendors could submit invoices for work not performed and subsequently be paid without timely detection.
- SBE Rule 6A-1.012(7), FAC, requires that bids be requested from three or more sources for any authorized purchase or contract for services exceeding $50,000 and that the procurement may not be divided to avoid the monetary threshold requirement. District records did not evidence that competitive bids or quotations were obtained for two vendors paid $115,743 and $132,937, respectively, during the 2012-13 fiscal year for various vehicle maintenance and repair services, such as oil changes, tires, batteries, and other repairs, contrary to SBE rule. In response to our inquiries, District personnel indicated the services provided by one vendor were not bid because each individual transaction was within the $50,000 bid threshold; however, purchases of similar goods and services from an individual vendor that exceed the bid threshold should be subject to advertised bids or other circulated requests to encourage fair and open competition and participation by all vendors, and to ensure the District pays the lowest cost consistent with acceptable quality. For the other vendor, District personnel indicated that the majority of purchases were for tires and were

based upon bid prices obtained from Florida Sheriff's Association bid award; however, neither District purchase orders nor vendor invoices made reference to the Florida Sheriff's Association bid award.

- Although MPG information was available for each vehicle from the weekly invoice information provided by the fuel vendor, District personnel did not obtain the information in a usable format for monitoring the reasonableness of fuel use or for unusual fluctuations in MPG data. The weekly fuel usage reports and vehicle mileage information was provided by the fuel vendor weekly in a spreadsheet format; however, the information was not compiled or aggregated to provide mileage and fuel usage information over longer time periods for monitoring MPG data fluctuations for individual vehicles or between similar-type vehicles. In addition, when drivers used fuel cards for vehicles that were not assigned to them, the vehicle unit number was entered in the fuel management system rather than the odometer reading, thus limiting the reliability of the fuel use information.

Absent effective monitoring of vehicle operation, maintenance, and repair costs, District records did not evidence that District-owned vehicles were operated in the most economic and efficient manner. Additionally, absent adequate records for routine monitoring and investigation of fuel use and miles per gallon by vehicle, there is an increased risk that unauthorized use of fuel would not be timely detected.

Recommendation: The District should develop and implement procedures for monitoring vehicle maintenance, repair, and fuel usage records to ensure the economic and efficient use of District resources.

Information Technology

Finding No. 15: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees 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 inconsistent with their assigned job responsibilities. For example, access privileges should typically be configured to enforce a separation of IT and application end-user duties whereby only the responsible end-users can originate or correct transactions and initiate changes to data files and IT employees and contractors are restricted from performing end-user functions.

Our test of selected access privileges to the District's network and ERP system, including finance and human resources (HR) applications, disclosed some access privileges that were unnecessary or that permitted employees and contractors to perform incompatible functions. Specifically:

- A Business Analyst within the District's Technology Division was assigned payroll transactions in the ERP HR application that were unnecessary to his assigned responsibilities related to technical support of the District's ERP system. Additionally, the District's Internal Auditor, a Budget Analyst, an HR Coordinator, and two ERP contractors had access privileges to user, authorization, or profile maintenance activities affecting the assignment of user security profiles that were unnecessary to their assigned responsibilities.
- In excess of 60 user and service accounts had been granted administrator privileges within the District's network domain. In addition, in excess of 35 user and service accounts had been granted administrator privileges within the District's ERP domain. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. Limiting the number of network accounts with administrator privileges increases the District's ability to restrict and manage the use of administrator privileges, reducing the risk of compromise and unauthorized network hardware, software, or configuration changes.

Although the access granted was the result of established business processes and the District had certain compensating controls in place (e.g., review of supporting documentation, exception reports, and supervisory approvals), existence of these inappropriate or unnecessary access privileges increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2008-084 and 2011-042.

Recommendation: The District should modify access privileges assigned within the ERP system to ensure that the privileges enforce an appropriate separation of IT and application end-user duties. In addition, the District should limit the assignment of network administrative access to users or accounts with documented responsibilities for managing or accessing all District network resources.

Finding No. 16: Security Controls – User Authentication, Data Loss Prevention, and Monitoring of Application Data Changes

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication, data loss prevention, and monitoring of application data changes needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, data loss prevention, and monitoring of application data changes, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to user authentication were communicated to District management in connection with our report Nos. 2008-084 and 2011-042.

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

Finding No. 17: District Security Program

An entitywide program for security planning and management is the foundation of an entity's security control structure and a reflection of senior management's commitment to addressing security risks. The program establishes a framework and continuing cycle for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of procedures. Practices that help ensure that information security policies address current risks include promoting security awareness and monitoring the effectiveness of the policies and controls.

The District had not finalized a security program, including a risk-management framework to ensure the continued identification of vulnerabilities and the management of identified risks through defined policies and procedures. As of September 12, 2013, the District's Information Systems Security Program (ISSP), including responsibilities, policies, procedures, and protocols supporting the program, remained in draft form. In addition, the District did not have a security awareness training program in place to facilitate employees' ongoing awareness education and training on security responsibilities, including data classification and acceptable or prohibited methods for storage and transmission, password protection and workstation controls, and security incident response and reporting.

A formal security program, including a documented risk framework, is necessary to evidence the District's exercise of due diligence with regard to appropriate security practices in the management, use, planning, development,

maintenance, and operation of information systems. Additionally, the establishment of associated policies and procedures and security awareness training reduces the risks for inadequate or inconsistently applied controls and unclear, misunderstood, and improperly implemented responsibilities that could result in insufficient protection of sensitive or critical resources. Similar findings were noted in our report Nos. 2008-084 and 2011-042.

Recommendation: The District's ISSP should be finalized, approved, and implemented along with supporting policy, protocols, and compliance measures to mitigate the identified risks and maintain the confidentiality, integrity, and availability of information resources. In addition, District management should also promote security awareness through ongoing employee security training programs.

Finding No. 18: Disaster Recovery Plan

Disaster recovery planning is an important element of IT controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations in the event of a major hardware or software failure. The success and effectiveness of a disaster recovery plan requires elements such as alternate site processing arrangements and testing.

The District's *Business Resumption Plan* was designed to assess needs and create an incident recovery plan and schedule at the time of an event. However, the *Business Resumption Plan* had not been tested in accordance with scenarios defined in the document and did not identify an alternate processing site. District personnel indicated that they were in the process of rewriting the plan with assistance from a consultant. Without an appropriately-prepared and tested disaster recovery plan, the District's ability may be limited to efficiently and effectively continue operations with minimal loss in the event of a processing disruption. Similar findings were noted in our report Nos. 2008-084 and 2011-042.

Recommendation: The District should conduct periodic testing of its *Business Resumption Plan* to promote readiness, prove feasibility, and prevent omission of key procedures or decision points. Additionally, the District should identify an alternate processing site outside of the District's proximity in the event of a disaster affecting the entire local area.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audits reports. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers	2006-07 Fiscal Year Audit Report and Finding Numbers
4	Audit Report No. 2011-042, Finding No. 2	NA
7	Audit Report No. 2011-042, Finding No. 7	NA
9	Audit Report No. 2011-042, Finding No. 8	Audit Report No. 2008-084, Finding No. 11
11	Audit Report No. 2011-042, Finding No. 9	Audit Report No. 2008-084, Finding No. 12
12	Audit Report No. 2011-042, Finding No. 10	Audit Report No. 2008-084, Finding No. 18
15	Audit Report No. 2011-042, Finding No. 11	Audit Report No. 2008-084, Finding No. 7
16	Audit Report No. 2011-042, Finding No. 12	Audit Report No. 2008-084, Finding No. 7
17	Audit Report No. 2011-042, Finding No. 13	Audit Report No. 2008-084, Finding No. 19
18	Audit Report No. 2011-042, Finding No. 14	Audit Report No. 2008-084, Finding No. 20

NA - Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from March 2013 through October 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

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

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

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2012-13 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

AUTHORITY

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) authentication controls.	Reviewed selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for creating, maintaining, and reviewing access to IT resources. Tested selected access privileges over the operating system, database, network, and Enterprise Resource Planning finance and human resources applications to determine the appropriateness based on the employees' and contractors' job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
IT data loss prevention.	Determined whether the District had written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed the District's written policies and procedures related to security incident response and reporting.
IT logging and monitoring controls.	Reviewed supporting documentation to determine whether logging and monitoring controls were in place in accordance with IT best practices.
IT security program and training.	Determined whether the District had implemented a comprehensive security program and associated security awareness training.
IT disaster recovery plan.	Determined whether the District had tested its disaster recovery plan and identified an alternate processing facility outside of the District's proximity.
Charter school expedited review.	Reviewed District procedures to determine whether they were sufficient and appropriate to determine whether its charter schools and charter technical career centers were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For schools and centers subjected to an expedited review, examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
Charter school fiscal viability.	Determine whether the District evaluated the charter school application for the fiscal viability of the charter school and the competency of the staff responsible for operating the charter school before the charter was granted using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and Section 6A-6.0786, Florida Administrative Code.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed and whether the audits were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
Monitoring of charter schools.	Interviewed District personnel and reviewed supporting documentation to determine if the District effectively monitored charter schools.
Procedures for decentralized collections.	Reviewed procedures for cash collections at decentralized locations to ensure they were deposited timely and intact.
Regional Professional Development Academy.	Reviewed procedures for monitoring the contract with the Regional Professional Development Academy and its use of funds provided by the District.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the District had provided individuals with a written statement as to the purpose of collecting their social security numbers.
Budgets.	Determined whether District procedures for preparing their budget were sufficient to ensure that all potential expenditures were budgeted.
Transparency.	Determined that the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Vehicle monitoring.	Reviewed District records to determine the effectiveness of vehicle maintenance and fuel efficiency monitoring.
Construction administration.	For selected major construction projects, tested payments and supporting documentation to determine compliance with District policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the District monitored the selection process of architects and engineers, construction managers, and subcontractors by the construction manager.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and Public Education Capital Outlay funds, were expended in compliance with the restrictions imposed on the use of thee resources.
Purchase of software applications.	Determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Relocatable facility inspections.	Reviewed inspection reports to determine whether relocatable classroom facility deficiencies were timely corrected.
Selection process and insurance for architects and engineers.	Tested significant or representative major construction projects in progress during the audit period to determine whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes, and Section 1008.36, Florida Statutes.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
Compensation for appointed superintendents.	Determined whether the appointed Superintendent's compensation was in accordance with Florida law, rules, and Board policies.
New hire qualifications.	Tested new hire records to determine whether the District verified and documented the employee's required education and experience to meet the position requirements.
Payroll time and attendance records.	Reviewed procedures for monitoring time and attendance to determine whether leave taken was properly posted to attendance records and in compliance with Board policies.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Teacher professional development training records.	Reviewed procedures for documenting attendance in District English for speakers of other languages professional development training classes.
Conflicts of interest.	Determined whether the District had established policies and procedures to avoid potential conflicts of interest with vendors who were doing business with the District.
Consultant contracts.	Tested selected consultant contracts to determine compliance with competitive selection requirements, whether the District contracted with its employees for services provided beyond that provided in the salary contract contrary to Section 112.313, Florida Statutes, and whether the contract clearly specified deliverables, time frames, documentation requirements, and compensation. Also tested selected payments for proper support and compliance with contract terms.
Electronic funds transfers and payments.	Reviewed District policies and procedures relating to electronic funds transfers and vendor payments. Tested supporting documentation to determine if selected electronic funds transfers and payments were properly authorized and supported, and complied with State Board of Education Rule 6A-1.0012, Florida Administrative Code.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, tested former employees to determine whether purchasing cards were timely canceled upon termination of employment.
Rebate revenues.	Determined whether rebate revenues received from purchasing card and e-Payable programs were allocated to the appropriate District funds.
Statements of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether certain purchasing agents filed statements of financial interest in accordance with law.
Construction processes.	Examined records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
Construction contractor selection.	Tested selected construction project records to determine whether contractors were awarded construction projects in accordance with applicable laws and rules.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost-effective and consistent with established benchmarks, and whether contractors performed as expected.
Identifying and prioritizing facility maintenance needs, including identification and timely resolution of health and safety deficiencies, and tracking maintenance jobs.	Evaluated procedures for identifying facility maintenance needs and establishing resources to address those needs. Compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements and timely resolution of deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.
Evaluating maintenance department staffing needs.	Reviewed procedures for evaluating maintenance department staffing needs. Determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.

EXHIBIT B
MANAGEMENT'S RESPONSE

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

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Jacksonville, FL 32207-8182
904.390.2115
www.duvalschools.org

December 20, 2013

David W. Martin, CPA
Auditor General
3974 Woodcock Drive, Suite 101A
Jacksonville, Florida 32207

Dear Mr. Martin:

Attached is Duval County Public Schools' response to the preliminary and tentative federal audit findings for the fiscal year ended June 30, 2013.

Please note that corrective measures have been taken to incorporate processes to prevent a repeat of these audit findings. I would like to express our appreciation for the manner in which the audit was conducted. Your staff conducted themselves in a professional manner throughout the audit and has been helpful in identifying and discussing the areas addressed in the audit.

Very truly yours,

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

CH/vp

CC: Stephen Bright
LaTrell Edwards
Cindy Hill

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EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

PERSONNEL AND PAYROLL

Finding No. 1: Employee compensation for certain positions was not always identified on salary schedules, contrary to State Board of Education rules.
Recommendation: The District should improve its payroll procedures to ensure that Board-approved salary schedules are the sole instruments used in determining employee compensation.
District Response: The District concurs with this recommendation and will implement procedures to ensure that all employees are paid from Board approved salary schedules.

Finding No. 2: Improvements were needed in documenting participation in professional development training.
Recommendation: The District should enhance its procedures to ensure that professional development training attendance is properly documented with the initials or signatures of the participants.
District Response: The District concurs with the recommendation. The District has revised its procedures for all endorsement courses and now requires individual signatures for attendance in addition to a signature by the instructor. The District also randomly audits classes by sending staff out to visit during the class period. Each course is audited at least one time. Instructors submit attendance logs weekly.

Finding No. 3: Florida School Recognition Program payments were made to certain employees that did not meet applicable eligibility criteria.
Recommendation: The District should enhance procedures to ensure that FSR program bonus payments are paid only to eligible employees. The District should also determine the extent of incorrect bonus payments and take appropriate action for proper resolution.
District Response: Effective the 2013-14 school year, the District is implementing a revised plan for the distribution of FSRP bonus payments which will ensure only eligible employees are paid. Prior bonus payments will be reviewed for accuracy and the extent of any incorrect payments will be determined for resolution.

Finding No. 4: Leave forms were not always prepared and maintained to document employee absences.
Recommendation: The District should continue its efforts to improve the leave documentation process and emphasize the importance of accurate and timely leave records.
District Response: The District concurs with the recommendation. The District's Payroll Department will timely follow up on compliance issues identified during reviews at a responsibility center (organization unit) to ensure proper procedures and guidelines are being followed for leave records.

CASH CONTROLS

Finding No. 5: Controls over electronic funds transfers could be enhanced.
Recommendation: The Board should enhance its written policies and procedures to address accounting and control procedures for EFTs, including the use of electronic signatures. Such policies and procedures should ensure that EFT agreements indicate employees authorized to make EFTs and contain required signatures of the authorized employees, superintendent, and Board chair. The District should also ensure that written authorizations are obtained from vendors authorizing payments by direct deposit.
District Response: The District concurs with the overall recommendation. The District will enhance and modify its written policies and procedures regarding electronic funds transfers (EFTs), including the use of electronic signatures, identifying authorized employees to make EFTs, and obtaining the necessary approvals from vendors for direct deposit payments.

RESTRICTED RESOURCES

Finding No. 6: The District did not allocate E-payable and purchasing card program rebates generated by restricted resources to appropriate District funds.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Recommendation: The District should consult with the appropriate Federal cognizant agency and the Florida Department of Education for resolution on the use and allocation of rebates received on P-card purchases and E-payable payments.
District Response: The District concurs with the recommendation. The District will contact the appropriate Federal cognizant agency and the Florida Department of Education for technical assistance in the proper accounting (use and allocation) of revenue received on P-card purchases and E-payable payments.

PROCUREMENT

Finding No. 7: Controls over the use of purchasing cards could be strengthened.
Recommendation: The District should enhance procedures to ensure that purchasing cards are only used for purposes authorized by the purchasing card manual, purchases are not split to circumvent transaction limits, employees receive additional training when needed, purchases are supported by sufficient documentation to evidence the necessity and public purpose of the expenditures, and purchasing cards of terminated employees are timely cancelled.
District Response: The District concurs with the overall recommendation. Some controls/process could be enhanced over the purchasing card program. The District will enhance controls to ensure that cardholders are temporarily or permanently suspended when supporting documentation or monthly reconciliations are not timely submitted. Additionally, the District will explore options with our card provider to prevent split purchases.

CONSTRUCTION ADMINISTRATION

Finding No. 8: Construction administration procedures could be improved.
Recommendation: The District should improve its monitoring of construction administration to achieve maximum cost savings under the GMP contracts and ensure that buildings are not occupied before issuance of required certificates of occupancy. In addition, the District should seek recovery of $9,580 for amounts included in the CM fee for SUTA and FUTA that exceeded the CM firm's actual costs.
District Response: The District concurs with the overall recommendation. The District will review current procedures to improve monitoring of construction contracts and to resolve SUTA/FUTA fees.

CONTRACT MONITORING

Finding No. 9: The District needed to enhance its procedures for monitoring payments to the Schultz Center for Teaching and Leadership.
Recommendation: The District should enhance its monitoring procedures to ensure that District payments to the Center are for actual authorized costs incurred and are commensurate with the services provided. In addition, the District should require the Center to document the allowability of the above-noted questioned costs, totaling $209,307, or request a refund of this amount.
District Response: The District concurs with the recommendation and will enhance its monitoring procedures to ensure that District payments to the Center are for the actual authorized cost incurred and are commensurate with the services provided. In addition, the District will request the center to provide records to document the allowability of the above noted questioned costs totaling $209,307.

Finding No. 10: Controls over contractual services and related payments could be enhanced.
Recommendation: The District should enhance its procedures to ensure that the Board approves contracts as required, payments are made only after satisfactory receipt of goods and services at agreed upon rates is documented, and contractual terms comply with Section 112.313(3), Florida Statutes. In addition, the District should seek recovery of any overpayments, as appropriate.
District Response: The District concurs with the overall recommendation. The District will review current procedures to improve and/or enhance its procedures to ensure payment is made only when work has satisfactorily completed at the rates specified in the contract. The District will continue to recover any overpayments as they are discovered.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 11: Enhancements were needed in monitoring of insurance for District charter schools.
Recommendation: The District should enhance procedures to ensure that District charter schools maintain insurance required by the charter school agreements.
District Response: The District concurs with the recommendation. The Charter Office will implement the following procedures to ensure that charter schools are maintaining and submitting evidence of insurance coverage: redesign the Excel spreadsheet to include multiple expiration dates on insurance certificates, check monthly expiration dates, and send notifications prior to upcoming deadlines (i.e., the 15th of each month).

FACILITY SAFETY

Finding No. 12: The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory.
Recommendation: The District should continue its efforts to ensure relocatables used as classrooms comply with State standards and ensure that only relocatables that meet standards are reported as satisfactory in the FISH.
District Response: The District concurs with the overall recommendation. The District will continue efforts to bring relocatables into compliance with State standards.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 13: Controls over facilities construction and maintenance activities could be enhanced.
Recommendation: The District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. In addition, the District should develop additional goals and objectives for the facilities and maintenance departments to identify cost-effectiveness or efficiency outcomes for department personnel.
District Response: The District concurs with the overall recommendation. The District will review current policies and procedures and develop additional goals and objectives to identify cost-effectiveness or efficiency outcomes.

RESOURCE UTILIZATION

Finding No. 14: Controls over the District's motor vehicle maintenance and fuel usage monitoring could be enhanced.
Recommendation: The District should develop and implement procedures for monitoring vehicle maintenance, repair, and fuel usage records to ensure the economic and efficient use of District resources.
District Response: The District concurs with the overall recommendation. The District will continue to explore enhancements to our enterprise resource planning system (SAP) to more effectively collect and utilize maintenance data. Opportunities to bid maintenance/repair costs will also be created.

INFORMATION TECHNOLOGY

Finding No. 15: Some inappropriate or unnecessary information technology (IT) access privileges existed.
Recommendation: The District should modify access privileges assigned within the ERP system to ensure that the privileges enforce an appropriate separation of IT and application end-user duties. In addition, the District should limit the assignment of network administrative access to users or accounts with documented responsibilities for managing or accessing all District network resources.
District Response: The District concurs with the overall recommendation. The District will continue to explore methods to limit the number of users with elevated privileges.

Finding No. 16: District IT security controls related to user authentication, data loss prevention, and monitoring of application data changes needed improvement.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Recommendation: The District should improve IT security controls related to user authentication, data loss prevention, and monitoring of application data changes to ensure the continued confidentiality, integrity, and availability of District data and IT resources.
District Response: The District concurs with the overall recommendation. The School Board has approved a new Data Loss Prevention Policy that classifies data and provides documented storage and disposal processes.

Finding No. 17: The District's IT security program could be improved.
Recommendation: The District's ISSP should be finalized, approved, and implemented along with supporting policy, protocols, and compliance measures to mitigate the identified risks and maintain the confidentiality, integrity, and availability of information resources. In addition, District management should also promote security awareness through ongoing employee security training programs.
District Response: The District concurs with the overall recommendation. The School Board has approved a new Overarching IT Security Policy that includes a methodology to promote security awareness.

Finding No. 18: The District's disaster recovery planning procedures needed improvement.
Recommendation: The District should conduct periodic testing of its Business Resumption Plan to promote readiness, prove feasibility, and prevent omission of key procedures or decision points. Additionally, the District should identify an alternate processing site outside of the District's proximity in the event of a disaster affecting the entire local area.
District Response: The District concurs with the overall recommendation. The District's IT Security Manager is in the process of creating an overall disaster recovery plan that includes testing a processing site outside the District's proximity.

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