REPORT NO. 2014-089
JANUARY 2014

BREVARD COUNTY

DISTRICT SCHOOL BOARD

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

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

	District No.
Dr. Michael Krupp	1
Dr. Barbara Murray, Chair	2
Amy Kneessy, Vice Chair	3
Karen Henderson	4
Andy Ziegler	5

Dr. Brian T. Binggeli, Superintendent

The audit team leader was Clare Waters, CPA, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the audit team leader was Rebecca Ferrell, CISA, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Director, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

BREVARD COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

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

Finding No. 2: District records did not always evidence that administrators approved reports of time worked and leave taken by subordinate employees.

Finding No. 3: The Superintendent's employment agreement initially included a severance pay provision that did not appear to be consistent with Section 215.425(4)(a), Florida Statutes.

PROCUREMENT

Finding No. 4: Controls over the enterprise resource software selection process and related payments could be enhanced.

Finding No. 5: Controls over the use of purchasing cards could be strengthened.

FINANCIAL REPORTING

Finding No. 6: The District reported $767,722 of unrestricted resources as assigned fund balance in a capital projects fund; however, the amounts had no externally imposed constraints on use and District records did not evidence the specific intended use of the funds.

CAPITAL ASSETS

Finding No. 7: District records supporting land, buildings and fixed equipment, and improvements other than buildings could be enhanced.

INFORMATION TECHNOLOGY

Finding No. 8: Some inappropriate or unnecessary information technology (IT) access privileges existed.

Finding No. 9: The District's IT security incident response plan needed improvement.

Finding No. 10: Certain District IT security controls related to user authentication and data loss prevention needed improvement.

BACKGROUND

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

During the 2012-13 fiscal year, the District operated 85 elementary, middle, high, and specialized schools; sponsored 7 charter schools; and reported 70,529 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: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)(4).b., Florida Statutes, provides that for instructional personnel, the Board must provide for differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

While the salary schedule and union contract provided for certain types of differentiated pay, without a Board-established documented process for determining which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2011-060 and 2013-135.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 2: Time Records

Effective internal control requires supervisory approval of time worked and leave used by all employees to ensure that compensation payments are appropriate and leave balances are accurate. However, District records did not always evidence that certain administrators, such as area superintendents, assistant superintendents, and the superintendent, approved biweekly payroll reports of their subordinate employees, such as principals, department directors, managers, and coordinators. District personnel indicated that administrators did not approve time sheets of approximately 120 subordinate employees for the 2012-13 fiscal year. District personnel indicated that electronic time records, evidencing supervisory approval, were implemented for five departments with 60 employees as of October 2013, and time records of the remaining personnel will be electronically implemented for the 2014-15 fiscal year.

Without records evidencing timely verification of work attendance and leave taken, there is an increased risk that the District may incorrectly compensate employees and that employee leave balances may be inaccurate. Similar findings were noted in our report Nos. 2011-060 and 2013-135.

Recommendation: The District should continue its efforts to enhance payroll processing procedures to ensure that District records appropriately document employee attendance and absences, and supervisory review and approval of time records.

Finding No. 3: Severance Pay

Section 215.425(4)(a), Florida Statutes, provides that on or after July 1, 2011, a unit of government that enters into an employment agreement that contains a provision for severance pay with an officer, agent, employee, or contractor must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation.

On August 23, 2011, the Board approved an employment agreement with the Superintendent. The agreement provided an employment term from July 1, 2011, through June 30, 2014, and if employment of the Superintendent was terminated without cause, the Board would pay the Superintendent his current monthly salary for 12 consecutive months from the effective date of termination or until June 30, 2014, whichever occurred first. However, this provision did not appear to be consistent with Section 215.425(4)(a), Florida Statutes, as it allowed for severance pay that exceeded 20 weeks of salary.

On September 5, 2013, we discussed the employment agreement with District personnel and, on September 24, 2013, the Board amended the employment agreement to limit severance pay to 20 weeks of salary as allowed by statute.

Recommendation: The District should ensure that future employment agreements contain severance pay provisions that comply with Section 215.425(4)(a), Florida Statutes.

Follow-up to Management's Response:

The District indicates in its response that it does not agree with this finding and believes it complied with Section 1001.50(2), Florida Statutes; however, the point of our finding is that the Superintendent's employment agreement, prior to such agreement being amended by the Board on September 24, 2013, allowed for severance pay to exceed 20 weeks of salary, contrary to Section 215.425, Florida Statutes, which applies to all units of government including school districts.

Procurement

Finding No. 4: Enterprise Resource Planning Software

Pursuant to State Board of Education Rule 6A-1.012(14), Florida Administrative Code, the District may acquire information technology systems, such as enterprise resource planning (ERP) software, through the competitive solicitation process or by direct negotiation and contract with a provider as best fits the District's needs determined by the Board. Good business practice dictates that selection and purchase of ERP software, such as for finance, human resources, payroll, and other software, include documented considerations of the software costs in relation to the benefits of the software to specific user needs. Effective procurement procedures serve to increase public confidence in the procurement process. Appropriately written ERP software contracts establish the scope of work, deliverables and related delivery dates, and legal remedies for violations of the contract provisions. Further, it is important that satisfactory receipt of contract deliverables be documented before payments for deliverables are made.

In 2002, the Board contracted with an ERP software provider for finance, human resources, payroll, and other software and related services. In April 2013, the Board, having determined that significant upgrades were needed for various District software applications, amended its contract with the ERP software provider to provide for the payment of a total of $8,000,000 to the ERP software provider for software and related maintenance. Specifically, the ERP software provider was to refresh finance, human resources, payroll, and other software; convert the software

platform to a more functional, web-based system; and perform other related project tasks such as software installation (including security setup), 35 days of project management, and 40 days of training. Based on the provisions of the amended contract, the District made an initial payment of $600,000 in April 2013, a payment of $2,250,000 in July 2013, and plans to make a payment of $2,350,000 in July 2014. The contract also included annual maintenance fees of $560,000 over a five-year period, totaling $2,800,000.

The Board opted to amend the contract with the District's current ERP software provider without soliciting competitive proposals for the software upgrade and related services. In response to our inquiry, District management indicated that the decision to amend the current ERP software provider's contract without obtaining competitive proposals was made for several reasons, including: (1) there would be no need for data conversion, which would avoid costs and a significant amount of District personnel time that would be required for the conversion; (2) the District could avoid costs because it can customize the software and would not have to contract with a software provider to do so; and (3) the District has had successful 11-year relationship with the current software provider. District management also indicated that they had discussions with other school districts' personnel to obtain information on those school districts' experiences in implementing ERP software and the costs to do so. District management further indicated that they believed the District had made the best business decision and paid "a tremendously good price."

It was apparent that District personnel attempted to obtain information upon which to make this procurement decision, and the District's decision to continue with its current ERP software provider may, in fact, have been more advantageous than procuring the software upgrade and related services from a different ERP software provider. Although we were provided a summary worksheet that identified the ERP implementation or maintenance costs for eight other school districts, the cost information was not current (the timing of these ERP implementations ranged from 1996 to 2005) and was not supported by documentation affirming the reliability and comparability of the cost information. District records provided for our review did not include current cost estimates for the desired system components and functionalities to be used in its direct negotiations with its existing ERP software provider. Given the extensive complexities and costs of ERP systems, utilizing independently developed cost estimates for the desired system components and functionalities along with the expected timeline for implementation and training would have provided more complete evidence upon which to negotiate for this procurement.

In addition, our review of the ERP software contract and related payments disclosed the following:

- Contract provisions did not establish software installation and related service dates or the number of District employees to receive software training. Without such contractual provisions, there is an increased risk that the software installation and related services may not be consistent with Board expectations.
- The District made payments of $600,000 and $2,250,000 in April and July 2013 based on a payment schedule. However, District records did not evidence the deliverables received for these payments. Without documented receipt of deliverables before payments are made, the District may not receive all the services for which it was entitled.

Recommendation: The District should enhance its procedures to ensure, for future ERP software purchases, that District records clearly demonstrate that such purchases are made at the lowest price consistent with desired quality. Also, future contracts should include service timeframes and details to allow appropriate monitoring of project management and training services. In addition, payments for ERP software and related services should only be made after documented satisfactory receipt of the software and service deliverables.

Finding No. 5: Purchasing Cards

The District uses purchasing cards to expedite the purchase of selected goods and services. Purchases made with purchasing cards are subject to the same rules and regulations that apply to other District purchases and are subject to additional purchasing card guidelines. The District's purchasing card guidelines provide that a purchasing card activity report be prepared by either the cardholder or the school or department purchasing card custodian, signed by the cardholder, and approved by the principal, department supervisor, or appointed representative for payment. The guidelines also provide that it is the responsibility of the applicable principal or department-head to collect purchasing cards assigned to terminating employees and to submit those cards to the Purchasing Department for cancellation. Further, District personnel indicated that an accounts payable clerk reviews purchasing card expenditures monthly for propriety.

The District maintained 632 purchasing cards as of June 21, 2013, and purchasing card expenditures totaled $13.7 million for the 2012-13 fiscal year. To determine the propriety of purchasing card expenditures and whether controls were operating effectively, we tested 40 purchasing card expenditures and reviewed purchasing cards assigned to 12 individuals that terminated employment during the 2012-13 fiscal year to determine if the purchasing cards were cancelled timely. Our review disclosed the following:

- District records supporting 23 of the purchasing card expenditures tested did not evidence supervisory review and approval. Although District records indicated that the expenditures tested were for valid District purposes, independent written approval of purchasing card charges document management's responsibility for such charges and serves to establish authorization to pay purchasing card billings. A similar finding was noted in our report No. 2013-135.
- Five of the cards for the individuals who terminated employment were not timely cancelled. The cancellations were from 12 to 237 days after the employees' termination dates, and one of the five cards was used for a $112 purchase after the employee's termination date. Although the purchase was for a valid District purpose, when purchasing cards are not timely cancelled, there is an increased risk that the cards could be misused by former employees or others.

Recommendation: The District should strengthen controls over the use of purchasing cards to ensure timely supervisory review and approval of charges and card cancellations for terminated employees.

Financial Reporting

Finding No. 6: Fund Balance Reporting

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. On the District's 2012-13 fiscal year annual financial report submitted to the Florida Department of Education and presented for audit, certain unrestricted resources totaling $2,393,589 were reported as assigned fund balance in a capital projects fund. The Board set aside $1,625,867 in this fund for portable relocation and other construction activities; however, the Board did not approve the remaining $767,722 for specific capital projects. District personnel indicated that these remaining amounts were unspent unrestricted resources retained in the capital projects fund from current and previous fiscal years.

District records did not identify the projects to be funded with these resources and neither the District's Five-Year Facilities Work Plan nor other District records evidenced the specific capital outlay purposes for which these resources were assigned. Absent externally imposed constraints that require the uses of the resources for specific

purposes, the basis upon which these resources were reported in the capital projects fund is not readily apparent and financial statement users may misunderstand the Board's intent regarding this fund balance.

Recommendation: The District should disclose in its records the intended use of the unrestricted resources of $767,722 in the capital projects fund. If the intended use is not for capital outlay purposes, the District should transfer that amount to the General Fund.

Follow-up to Management's Response:

The District indicates in its response that the $767,722 is the remainder of a $3 million transfer to the capital projects funds to be used for unforeseen renewal or other facility project needs, and that it has disclosed all related information regarding these funds in its response, agenda items for public Board meetings and budget workshops, budget reports, the District's capital improvement plan, and other related documents. However, District records provided to us did not identify the specific capital outlay purposes for which these resources were to be used.

Capital Assets

Finding No. 7: Subsidiary Records

At June 30, 2013, the District reported balances totaling $35.9 million, $785 million, and $25.2 million for land, buildings and fixed equipment, and improvements other than buildings, respectively, net of depreciation. However, the District had not established detailed subsidiary records for these capital assets. To determine the balances reported in the financial statements for these assets, District personnel added the current fiscal year capital outlay expenditures to the balances reported in the prior fiscal year financial statements. While this procedure may fairly present financial statement balances, it is not a substitute for establishing and maintaining an adequate record system to account for the District's individual capital assets. Similar findings were noted in our report Nos. 2011-060 and 2013-135.

Recommendation: The District should strengthen procedures to ensure the adequacy of its records supporting land, buildings and fixed equipment, and improvements other than buildings.

Information Technology

Finding No. 8: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned job responsibilities. Periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible responsibilities.

Our tests of selected access privileges to the District's finance and human resources (HR) applications and the supporting operating system disclosed some access privileges that were unnecessary or that permitted certain employees to perform incompatible functions. Specifically:

- Three help desk specialists and a fund accountant were assigned a special operating system authority that allowed them to view contents of confidential data files, such as employee social security numbers, which is more appropriate for employees assigned security or operations responsibilities. In response to our inquiry, District management removed the special operating system authorities in May 2013 for these four employees.
- A systems analyst was assigned a group profile that allowed update access to most transactions within the finance and HR applications. For example, these privileges allowed the analyst update access to add a vendor and make vendor payments using the finance application, and edit employee payroll information such as address changes using the HR application. In response to our inquiry, District management determined that the access was necessary only during quarterly application updates and removed the profile in May 2013.

Although the District had certain compensating controls in place (e.g., supervisory monitoring of employee activities, expenditure monitoring, and annual review of user group profiles), the existence of the inappropriate or unnecessary access privileges indicated a need for an improved review of access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should improve its review of employee IT access privileges and remove inappropriate or unnecessary access privileges detected.

Finding No. 9: Security Incident Response Plan

Computer security incident response plans are established by management to ensure an appropriate, effective, and timely response to security incidents. These written plans typically detail responsibilities and procedures for identifying, logging, and analyzing security violations and include a centralized reporting structure, provisions for designated staff to be trained in incident response; notification to Federal, State, and local authorities and affected parties; and incident analysis and assessment of additional actions needed.

The District had a written security incident response plan that detailed the responsibilities and procedures for identifying, logging, and analyzing security violations; included a centralized reporting structure; included provisions for designated staff to be trained in incident response; and addressed incident analysis and assessment of additional actions needed. However, the plan lacked an established process for notifying Federal, State, and local authorities, and affected parties, pursuant to Section 817.5681, Florida Statutes, whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person. Lack of adequate notification procedures in the security incident response plan may result in the District's failure to take appropriate and timely actions.

Recommendation: The District should improve its written security incident response plan to include procedures for notifying appropriate authorities and affected parties.

Finding No. 10: Security Controls – User Authentication and Data Loss Prevention

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 and data loss prevention 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 and data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

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

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-135. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Report and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-135, Finding No. 5	Audit Report No. 2011-060, Finding No. 4
2	Audit Report No. 2013-135, Finding No. 6	Audit Report No. 2011-060, Finding No. 5
5	Audit Report No. 2013-135, Finding No. 8	NA
7	Audit Report No. 2013-135, Finding No. 7	Audit Report No. 2011-060, Finding No. 7

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 May 2013 to September 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 our report No. 2013-135.
- 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, and selected actions taken subsequent thereto. 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) policies and procedures.	Reviewed the District's written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Tested selected access privileges over the finance and human resources applications to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and applications to determine whether these accounts had been appropriately assigned and managed.
IT data loss prevention.	Reviewed written security policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT logical access controls and user authentication.	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 security incident response.	Determined whether the District had developed an adequate written security incident response plan.
IT audit logging and monitoring.	Examined written policies, procedures, and supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
Monitoring of charter schools.	Interviewed District personnel and reviewed supporting documentation to determine if the District effectively monitored charter schools.
Fraud policy and related procedures.	Examined written policies and procedures related to the District's fraud policy and related procedures.
Board and committee minutes.	Read Board and committee minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Conflicts of Interest	Determined whether the District had established policies and procedures to avoid potential conflicts of interest with vendors who are doing business with the District.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2013, to the fund's revenues was less than the percents specified in Section 1011.051, Florida Statutes. Analytical procedures were also applied to determine the reasonableness and ability of the District to make its future debt service payments.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and other restricted capital project funds were expended in compliance with the restrictions imposed on the use of these resources.
Restrictions on use of Workforce Development funds.	Determined, on a test basis, whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the District reported instructional contact hours in accordance with Florida Department of Education requirements.
Statements of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the District Superintendent, Board members, and certain purchasing agents filed statements of financial interest in accordance with law.
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Budgetary controls.	Determined whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted. Also, examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable laws and State Board of Education rules.
Inventories.	Reviewed the District's controls over safeguarding transportation parts inventories.
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.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Superintendent compensation.	Determined whether the appointed superintendent's compensation was in accordance with Florida law, rules, and Board policies.
Compensation and salary schedules.	Determined whether the Board established a documented process for ensuring that differentiated pay of instructional personnel is based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Time records.	Determined whether employee time records were properly approved.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Capital asset records.	Determined existence and adequacy of capital asset subsidiary records for land, buildings, fixed equipment, and improvement other than buildings.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
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.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, tested former employees to determine whether purchasing cards were timely canceled upon termination of employment.
Electronic funds transfers and payments.	Reviewed District policies and procedures relating to electronic funds transfers and vendor payments.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.
Charter school fiscal viability.	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 audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed.
Charter school expedited review.	Reviewed District procedures to determine whether they were sufficient and appropriate to determine whether its charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes.
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.
Health insurance program.	Determined whether the Board established a minimum net position balance for the health self-insurance program.

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EXHIBIT B
MANAGEMENT'S RESPONSE

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

January 9, 2014

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

Dear Mr. Martin:

Listed below are responses to preliminary and tentative audit findings and recommendations for the operational audit dated December 9, 2013. These audit findings and responses are provided for the fiscal year ending June 30, 2013.

Finding No. 1: Compensation and Salary Schedules:
The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1) (c) 4.b., Florida Statutes.

The District continues to negotiate with the Brevard Federation of Teachers (BFT) for a July 1, 2014 contract with compensation based upon performance providing differentiated pay for teachers based upon district determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties. The final bargained outcome will be documented in the ratified collective bargaining agreement for the 2014-15 fiscal year.

Finding No. 2: Time Records:
District records did not always evidence that administrators approved reports of time worked and leave taken by subordinate employees.

The District continues to examine best practices for recording time, attendance, and leave taken. Payroll and Educational Technology staff have been working collaboratively with the district's software provider for over a year to develop and implement an online timekeeping and employee leave approval process. Progress has been made with the automation and staff is currently piloting the software with some selected departments. District-wide implementation is anticipated to begin during fiscal year 2014-15; however, funding and personnel constraints could negatively impact the timeliness and feasibility of this action.

Finding No. 3: Severance Pay:
The Superintendent's employment agreement initially included a severance pay provision that did not appear to be consistent with Section 215.425(4)(a), Florida Statutes.

The District has noted the observation and recommendation of the Auditor General; however, we do not agree with the finding and furthermore, it is unclear to the District as to why this finding was provided. The District maintains that the severance pay clause in the Superintendent's contract has always been, and continues to be, in compliance with Section 1001.50(2), Florida Statutes. We would like to point out that, following consultation with legal counsel, the Superintendent's contract was negotiated and approved on August 23, 2011 in accordance with the provisions of Section 1001.50(2), Florida Statutes which specifically addresses superintendents employed under Article IX of the State Constitution. In 2011, the provisions of Section 1001.50(2), Florida Statutes did not contain the reference to compliance with Section 215.425 which was subsequently added in 2012. As a result, the District maintains that only the provisions of Section 1001.50(2) should have applied. The severance pay provision in the 2011 executed contract complied fully with the provisions of Section 1001.50(2),

Phone: (321) 633-1000, ext. 402 • FAX: (321) 633-3432

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EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Florida Statutes; therefore, we maintain that the District was not out of compliance and respectfully requests that this finding be removed.

Finding No. 4: Enterprise Resource Planning Software:
Controls over the enterprise resource software selection process and related payments could be enhanced.

The District has noted the observations and recommendations of the Auditor General; however, the District reiterates that it was fully compliant with all legal requirements and acted in the best interest of District stakeholders regarding this strategic business decision. The Auditor General agreed with the District that the State Board of Education Rule 6A-1.012(14), Florida Administrative Code, provides for the purchase of information technology systems software through direct negotiation and contract with a provider as best fits the District's needs, as determined by the School Board. The District maintains that effective and appropriate due diligence was completed prior to making the decision to move forward with amending the current contract, ultimately extending the unique partnership with its current provider.

Finding No. 5: Purchasing Cards:
Controls over the use of purchasing cards could be strengthened.

All purchasing cards are approved by the cardholder's immediate supervisor, except for cards issued to Principals, Directors, and Senior Staff members. The exception group represents 119 of the 631 cards or approximately 19%. Every cardholder's monthly invoice (for all employee classifications, including the exception group) along with all back-up documentation for the invoice amounts is scrutinized by Accounting Services during the month-end review process. The review verifies that the charges appear valid, accurate, and provide appropriate use of district funds; anomalies are brought to the attention of the cardholder who is subsequently required to reimburse the District for any inappropriate use of funds. The District is working with the software provider to automate the approval process; manual approvals for the exception group, on a monthly basis, is not logistically feasible for efficient and cost-effective processes as employees and approvers do not reside at the same location.

Finding No. 6: Fund Balance Reporting:
The District reported $767,722 of unrestricted resources as assigned fund balance in a capital projects fund; however, the amount had no externally imposed constraints on use and District records did not evidence the specific intended use of the funds.

Due to declining state and local revenue sources to fund the District's capital improvement program, and due to the condition of the District's aging buildings (average age of 40 years) and other infrastructure needs, the Superintendent recommended to the Board, and the Board approved, a transfer of $3.0 million of unrestricted non-recurring funds from the general fund to the capital fund to cover unforeseen renewal or other facility project needs. The District has disclosed all of the related information included in this response, at public Board meetings, budget workshops, budget reports, agenda items, the District's capital improvement plan, and other related documents. It is neither feasible nor practical to move the remaining funds back to the general fund as those dollars are needed to fund designated capital needs. District Staff believes that the assigned fund balance designation complies with GASB 54.

Finding No. 7: Subsidiary Records:
The District should strengthen procedures to ensure the adequacy of its records supporting land, buildings and fixed equipment, and improvements other than buildings.

The District believes that its current recordkeeping is adequate for providing accurate financial reporting of district assets; however, beginning with fiscal year 2013-14, as recommended, staff has begun the process of implementing a historical cost subsidiary. To obtain the past history, implementation will be manually intensive and require considerable resources to complete the project. The implementation could also require changes in the design of current software or the purchase of new software. Funding and personnel constraints could negatively impact the feasibility of this action.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 8: Access Privileges:
Some inappropriate or unnecessary information technology (IT) access privileges existed.

The District will continue to seek opportunities to enhance the review of user access privileges; however, in this particular case, no unnecessary access was granted. There are mitigating controls in place for all user profiles to prevent the special operating system authority from providing access to confidential information when the privileges are not required for certain job responsibilities. Access privileges for the three help desk specialists and one fund accountant have been removed; however, as mentioned, mitigating controls had already prevented those employees from accessing or viewing confidential data outside the scope of their job responsibilities. The District will change the current process to provide additional access to the analyst when quarterly updates are needed and will suspend the removal of this access after updates have been completed and tested by the analyst.

Finding No. 9: Security Incident Response Plan:
The District's IT security incident response plan needed improvement.

Educational Technology will add language to its Security Incident Procedures which will include notification of any personal information release incidents to the appropriate District Staff and notification of designated authorities and affected parties.

Finding No. 10: Security Controls – User Authentication and Data Loss Prevention:
Certain District IT security controls related to user authentication and data loss prevention needed improvement.

District Staff believes that there are mitigating controls in place to compensate for the issues noted; however, Educational Technology Staff will explore the recommendations provided and research all viable options to address the recommendations.

Sincerely,

Brian T. Binggeli, Ed.D.
Superintendent

C: Board Members
Audit Committee
Judy Preston
Jo Ann Clark

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