REPORT NO. 2015-064
DECEMBER 2014

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# SEMINOLE 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 2013-14 fiscal year are listed below:

| | District No. |
|---|---|
| Diane Bauer to 10-29-13 (1) | 1 |
| Karen Almond, Chair | 2 |
| Dede Schaffner, Vice Chair to 11-18-13 | 3 |
| Amy Lockhart | 4 |
| Dr. Tina Calderone, Vice Chair from 11-19-13 | 5 |

Dr. Walt Griffin, Superintendent

Note:

(1) Deceased, position remained vacant from 10-30-13 to 6-30-14.

The audit team leader was Nancy Heyman, CPA, and the audit was supervised by Keith A. Wolfe, 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 Douglas R. Conner, CPA, Audit Manager, by e-mail at doug.conner@aud.state.fl.us or by telephone at (850) 412-2730.

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.

# SEMINOLE COUNTY

District School Board

## EXECUTIVE SUMMARY

**Our operational audit disclosed the following:**

**CONSTRUCTION ADMINISTRATION**

**Finding No. 1: Improvements were needed in controls over monitoring subcontractor services for guaranteed maximum price contracts.**

**PERSONNEL AND PAYROLL**

**Finding No. 2: The District did not timely perform required background rescreenings for certain employees.**

**PROCUREMENT**

**Finding No. 3: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.**

**Finding No. 4: Controls over contractual services and related payments could be enhanced.**

**VIRTUAL INSTRUCTION PROGRAM**

**Finding No. 5: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.**

**Finding No. 6: The District could enhance its procedures to ensure that the required number of VIP options is offered.**

**Finding No. 7: District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.**

**Finding No. 8: Procedures could be enhanced to ensure the eligibility of students enrolled in the District's VIP.**

**Finding No. 9: Procedures need to be established to ensure the proper distribution of instructional materials to VIP students.**

**INFORMATION TECHNOLOGY**

**Finding No. 10: Some unnecessary information technology (IT) application access privileges existed.**

**Finding No. 11: District IT security controls related to user authentication needed improvement.**

## BACKGROUND

The Seminole 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 Seminole County. The governing body of the District is the Seminole 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 2013-14 fiscal year, the District operated 60 elementary, middle, high, and specialized schools; sponsored three charter schools; and reported 64,019 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, 2014, will be presented in a separate report.

## FINDINGS AND RECOMMENDATIONS

### Construction Administration

### Finding No. 1: Construction Management Services - Contract Administration

Pursuant to Section 1013.45(1)(c), Florida Statutes, the District may 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. As such, a GMP contract requires District personnel to closely monitor subcontractor bid awards and other construction costs. Also, Chapter 489, Florida Statutes, establishes certain certification requirements, including licensing requirements for specialty contractors such as electrical, air-conditioning, plumbing, and roofing contractors.

In February and March 2014, the Board approved GMP contracts with CMEs for the Jackson Heights Middle School (JHMS) additions and renovations project and the Geneva Elementary (GE) heating, ventilation, and air-conditioning (HVAC) remodeling project, with total projected costs of approximately $6.5 million and $2.9 million, respectively. During the 2013-14 fiscal year, the District incurred expenditures of $1 million and $1.1 million for construction of the JHMS and GE projects, of which approximately $0.7 million and $1 million were for subcontractor services, respectively.

Our review of District records supporting CME activities and related payments for the JHMS and the GE projects disclosed the following:

- The GMP contracts required the CMEs to solicit bids and award subcontracts, as necessary. District personnel indicated that prior to payment to the CMEs, the District project manager visually inspected the job site with the architect and CME representative to confirm satisfactory receipt of the construction services. While the project managers signed the CME applications for payment to evidence approval of the construction services, District personnel did not attend the subcontractor bid openings to ensure subcontractors were appropriately selected or initially obtain subcontractor bids and contracts to ensure subcontractor payments were consistent with the bid and contract provisions.

  Subsequent to our inquiry, District personnel obtained from the CMEs, and provided for our review, the bids and contracts for all subcontractors. Our review disclosed no instances in which subcontractors were improperly selected, or any subcontractor payments that did not agree with the respective bid awards and related contracts. However, without District procedures to appropriately monitor the subcontractor bid awards, contracts, and related payments, the risk increases that the District may not obtain subcontractor services at the lowest cost consistent with acceptable quality and realize maximum cost savings under GMP contracts.

- District personnel indicated that they did not verify subcontractors were licensed but relied on the CMEs to monitor those licenses. Subsequent to our inquiry, District personnel obtained from the CMEs, and provided for our review, evidence of the subcontractor licenses. While our test did not disclose any subcontractors who were not properly licensed, verification of subcontractors' licenses provides the District additional assurance that subcontractors are qualified to perform the work for which they are engaged.

**Recommendation: The District should enhance its monitoring procedures to ensure that subcontractors used on GMP contracts are competitively selected, paid consistent with related bid awards and contracts, and appropriately licensed.**

## Personnel and Payroll

### Finding No. 2: Background Screenings

Sections 1012.56(10), and 1012.465(2), Florida Statutes, require that instructional personnel, and noninstructional personnel who are permitted access on school grounds when students are present or have direct contact with students, undergo required background rescreenings every five years following the initial screening upon employment. During the 2013-14 fiscal year, the District had 4,612 and 2,957 instructional and noninstructional personnel, respectively.

Board policies provide for background screenings of personnel upon employment. District personnel indicated that a District security officer prepares monthly a list of employees who will need background rescreenings performed based on information in the personnel files. For employees who must be rescreened, the security officer submits the fingerprints (previously obtained upon employment) of the employees identified for rescreening to the Florida Department of Law Enforcement (FDLE), and the FDLE typically transmits to the District the rescreening results, which are printed, evaluated, and filed in the employee's personnel file.

Our test of 55 instructional and noninstructional employees disclosed that 1 bus driver was not rescreened within five years, contrary to law. District personnel indicated that they review the FDLE database to determine those that need rescreening. Using these records, District personnel compared the information to the District's active personnel files, and for those that matched, the District submitted the background screening request. However, as District personnel did not verify employee record changes that were previously submitted to the FDLE, some active employees were deleted from the FDLE database. When these employees were due for the background rescreening, because the FDLE database no longer contained these employees District personnel did not detect that they were due for the background rescreening. Subsequent to our inquiry, the District identified 21 additional employees (10 instructional and 11 noninstructional) who also had not been timely rescreened due to their deletion from the FDLE database. In September and October 2014, the District obtained the required background rescreenings for the 22 employees, including 11 for which the rescreenings were completed over one year late.

Absent timely background rescreenings, there is an increased risk that personnel with unsuitable backgrounds may be allowed access to students.

**Recommendation: The District should continue its efforts to ensure that required background rescreenings are timely performed.**

## Procurement

### Finding No. 3: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, District personnel indicated that vendor selection committee members, responsible for selecting vendors that respond to District requests for goods and services, must verbally notify the Purchasing Department of any potential conflicts of interest.

The Superintendent, Board members, and 77 District employees were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. Providing for routine review of required statements of financial interests by the Purchasing Department would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

**Recommendation: The District should provide for routine review of required statements of financial interests by its Purchasing Department for consideration in making procurement decisions.**

### Finding No. 4: Contractual Services

The Board routinely enters into contracts for services, and internal controls have generally been designed and implemented to ensure payments are consistent with contract terms and conditions. For the 2013-14 fiscal year, payments for contractual services totaled $11.6 million. To determine the propriety of payments for contractual services during the 2013-14 fiscal year, we tested payments totaling $629,532 for 15 contracts and noted controls over school resource deputy (SRD) services could be improved.

Pursuant to Section 1006.12, Florida Statutes, and a Board-approved contract, the Seminole County Sheriff provided the District 12 SRDs from October 2013 through September 2014 for four quarterly payments of $117,103 each, a total of $468,412. The contract provided that each SRD would be at their assigned schools during normal school hours to foster better relationships between students and law enforcement personnel, deter crime on or about school premises, and provide personnel for presentations on school safety and related law enforcement subjects.

The District made quarterly payments for the SRD services to the Sheriff as invoiced; however, school personnel with direct knowledge of the SRD services did not document receipt of the services through time records, such as SRD sign-in, sign-out sheets. District personnel indicated that the time records were not maintained because SRDs report their hours to the Sheriff and the District did not directly pay the SRDs. However, without adequate documentation of services received, there is an increased risk of overpayment or that services provided may not be consistent with the Board's intent.

**Recommendation: The District should enhance its monitoring procedures to ensure satisfactory receipt of SRD services is documented before payments are made.**

## Virtual Instruction Program

### Finding No. 5: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2013-14 fiscal year, the District had 1,375 part-time and 258 full-time VIP students. The District's pupil

progression plans, parent guides, and staff and student handbooks identified certain instruction methods, the basis for eligibility in instructional programs, and enrollment and withdrawal information; however, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, and establish a reliable standard to measure the effectiveness and efficiency of operations.

Comprehensive, written policies and procedures would promote compliance with the VIP statutory requirements and evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. For example, policies and procedures could require school district personnel to confirm the Florida teaching certificates with the Florida Department of Education (FDOE) and to survey a sample of parents to confirm that the contracted VIP teachers were the teachers who provided the services. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of the District's noncompliance and control deficiencies identified in Findings Nos. 6 through 9.

**Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.**

### Finding No. 6: Virtual Instruction Options

Section 1002.45(1)(b), Florida Statutes, requires school districts, under certain conditions, to provide students the option of participating in VIPs. For example, students may choose VIP services provided by the school district, Florida Virtual School (FLVS), another approved provider, another school district, or a virtual charter school. Pursuant to Section 1002.45(1)(b), Florida Statutes, school districts that are not considered to be in sparsely-populated counties, as discussed in Section 1011.62(7), Florida Statutes, must provide students with at least three options to participate in virtual instruction. As the District is not in a sparsely-populated county, the District must offer the three VIP types for all grade levels within the District's VIPs and may not include contracting with FLVS for direct enrollment by students.

The District provided all students a full-time and part-time opportunity to participate in virtual instruction provided by the District itself; however, the District did not provide all students at least three options, contrary to law. District personnel indicated that they thought they offered the required number of options for grades kindergarten through 5 and 6 through 12, which included courses identified as additional course offerings. However, the course offerings were not considered a viable option by the FDOE because the additional courses are not a District-level virtual instruction program, but are virtual education courses offered at District and State levels pursuant to Section 1003.498, Florida Statutes. Without effectively communicating and offering required types of VIP instruction, there is an increased risk that the District may limit student access to different types of VIP instruction, contrary to Section 1002.45, Florida Statutes.

**Recommendation: The District should ensure that it offers the minimum number of VIP options to all grade levels as required by law.**

### Finding No. 7: Written Parental Notification

Section 1002.45(10), Florida Statutes, requires that the District provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires the District to provide

parents with timely, written notifications of the open enrollment periods for its VIP.

For the 2013-14 fiscal year, District personnel indicated that several communication methods were used to provide information about the District's VIP to parents and students. Such communication included the District's Web site, curriculum guides, virtual school flyers, and other marketing materials. While these methods indicate efforts by District personnel to communicate with parents and students about VIP options for the 2013-14 school year, District records did not evidence that written notifications were provided directly to parents of students regarding the VIP and associated open enrollment periods. In addition, the District's Web site did not include information regarding courses offered by the FLVS.

Absent timely, written notifications provided directly to parents, some parents may not be informed of available VIP options and associated open enrollment period dates, potentially limiting student access to virtual instruction types.

**Recommendation: The District should enhance its procedures to ensure that records are maintained evidencing timely, written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.**

**Finding No. 8: VIP Student Eligibility**

Section 1002.455(1), Florida Statutes, authorizes students to participate in a VIP if they meet certain eligibility criteria as specified in Section 1002.455(2), Florida Statutes, such as attending a Florida public school in the prior school year and being funded by the Florida Education Finance Program (FEFP), being eligible to enter kindergarten or first grade, and other qualifying reasons.

The District had 21 VIP students who were not automatically eligible for VIP. Our test of 10 of these students disclosed that 4 students were ineligible to participate in the part-time VIP as they were home schooled in the prior school year and did not meet any other eligibility criteria. District personnel indicated that the 4 ineligible students were allowed to participate in VIP because District personnel initially misunderstood the eligibility requirements. Absent effective control procedures to verify and document student eligibility, there is an increased risk that, contrary to State law, ineligible students may participate in a VIP.

**Recommendation: The District should enhance its procedures to ensure the eligibility of students enrolled in the VIP. The District should also determine the extent of ineligible students and contact the FDOE for proper resolution.**

**Finding No. 9: VIP Instructional Materials**

Section 1002.45(3)(c), Florida Statutes, requires that each student enrolled in a VIP be provided with all necessary instructional materials. Our test of 25 VIP students for the 2013-14 fiscal year disclosed that District records did not evidence that 2 students received required instructional materials. District personnel indicated that the materials were not provided to the 2 students as the parents chose to use their own materials; however, District records did not evidence this election. Also, we noted that 5 of the 25 students tested received instructional materials that were not required for their VIP classes. District personnel indicated that 3 of the 5 students received the materials in error due to incorrect courses on the materials' list and 2 students did not receive the additional materials; however, District records indicated the additional materials were provided to the 2 students.

The above errors occurred, in part, because District procedures were not in place to ensure instructional materials were properly distributed to VIP students. Without such procedures, there is an increased risk that VIP students may

not possess the materials necessary to successfully complete VIP course requirements and for the VIP to incur unnecessary costs.

**Recommendation: The District should establish documented procedures to ensure that instructional materials are properly distributed to VIP students.**

## Information Technology

### Finding No. 10: Access Privileges

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

Our review of selected access privileges to the District's enterprise resource planning human resources (HR) application disclosed the existence of some unnecessary access privileges. Specifically, an accountant in the finance department had the ability to change employees' addresses that was unnecessary for her assigned responsibilities. Subsequently, District personnel identified four additional accountants that had the same unnecessary access privileges. As such, these five accountants could change an employee's address and distribute sensitive or confidential data, increasing the risk of identity theft or for the information to be compromised. The ability to update critical data within the HR application, including changing employee information, is typically limited to employees assigned to the HR department. In response to our inquiry, District management indicated that the District removed the abilities of the five accountants to change employee addresses.

The existence of unnecessary access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2009-055 and 2012-053.

**Recommendation: The District should ensure that assigned application access privileges restrict employees to only those functions necessary for their assigned job responsibilities.**

### Finding No. 11: Security Controls - User Authentication

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 needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. In response to our inquiry, District management corrected the security controls related to user authentication. Similar findings related to user authentication were communicated to District management in connection with our report Nos. 2009-055 and 2012-053.

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

## PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as shown in the following table:

| Current Fiscal Year Finding Numbers | 2010-11 Fiscal Year Audit Report and Finding Numbers | 2007-08 Fiscal Year Audit Report and Finding Numbers |
|---|---|---|
| 10 | Audit Report No. 2012-053, Finding No. 6 | Audit Report No. 2009-055, Finding No. 1 |
| 11 | Audit Report No. 2012-053, Finding No. 7 | Audit Report No. 2009-055, Finding No. 5 |

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 February 2014 through September 2014 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 2013-14 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) 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 to the District's Enterprise Resource Planning 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. |
| IT authentication controls. | Reviewed supporting documentation and selected configuration settings within the District's operating systems and databases to determine whether the District's authentication controls were configured and enforced in accordance with IT best practices. |
| IT audit logging and monitoring. | Reviewed the District's procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical IT resources. |
| IT risk management and assessment. | Determined the status of the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources. |
| IT data loss prevention. | Reviewed the District's written policies and procedures governing the classification, management, and protection of sensitive and confidential information. |
| IT security incident response. | Reviewed the District's written policies and procedures for responding to and reporting security incidents. |
| Board minutes. | Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements. |
| Financial condition. | Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2014, 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. Applied analytical procedures to determine the reasonableness of the unrestricted net position of the internal service funds at June 30, 2014. |
| Earmarked capital project resources. | Determined, on a test basis, whether nonvoted capital outlay tax levy and other capital outlay proceeds were expended in compliance with the restrictions imposed on the use of these resources. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| School advisory councils. | Determined District's compliance with the provisions of Section 1001.452, Florida Statutes. |
| School internal funds audits. | Determined whether the required school internal fund audits were performed and obtained timely by the District. |
| Auditor selection process. | Determined whether the District followed Section 218.391, Florida Statutes, which requires establishment of an audit committee, and followed prescribed procedures to contract for audit services. |
| Transparency. | Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes. |
| Budgets. | Determined whether District procedures for preparing their budget were sufficient to ensure that all potential expenditures were budgeted. |
| Direct-support organization. | Determined whether the District transferred any resources or extended credit to its direct-support organization. |
| Interim financial reports presented to Board. | Determined whether monthly financial statements were presented to the Board as required by State Board of Education (SBE) Rule 6A-1.008, Florida Administrative Code (FAC), and assessed adequacy of such reports. |
| 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. |
| Qualified public depositories. | Determined whether deposits of District moneys were secured in a qualified public depository, unless exempted by law, as required by Section 280.03, Florida Statutes. |
| Inventories. | Reviewed the District's controls over safeguarding transportation parts inventories. |
| Cash collection procedures at District-operated after school programs. | Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the District's collection procedures. Determined whether the District performed timely fee audits of its after school programs. |
| Self-insurance programs. | Determined whether selected workers' compensation, and general casualty, liability claims were valid and adequately supported by detailed claim reports. |
| 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. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Compensation for appointed superintendents. | Determined whether the appointed Superintendent's compensation was in accordance with Florida law, rules, and Board policies. |
| Compensation and salary schedules. | Examined supporting documentation to determine whether the Board established a documented process and adopted a salary schedule to ensure that differentiated pay of instructional personnel and school administrators is based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties. |
| Background screenings. | Determined, on a test basis, whether personnel had been subjected to required fingerprinting and background checks. |
| Bus drivers. | Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored. |
| Eligibility for health insurance benefits. | Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the District had procedures for reconciling health insurance costs to employee, retiree and Board-approved contributions. |
| Employee payments. | Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid District purposes. Also, determined whether such payments were contrary to Section 112.313, Florida Statutes. |
| John M. McKay Scholarships for Students with Disabilities Program. | Examined records to determine whether parents and guardians were notified annually of the John M. McKay Scholarships for Students with Disabilities Program pursuant to Section 1002.39(5)(a), Florida Statutes. |
| Facilities management. | Determined whether the District developed written policies and procedures requiring periodic evaluations of techniques for performing significant maintenance-related jobs, and documented these evaluations. Also, determined whether the District developed additional goals and objectives for the facilities planning and maintenance departments to identify efficiency or cost-effectiveness outcomes for department personnel. |
| Construction administration. | For selected major construction projects, determined whether contractors were awarded construction projects in accordance with applicable laws and rules, and 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 subcontractors by the construction manager. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Selection process and insurance for architects and engineers. | For selected major construction projects, determined whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance. |
| 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. |
| Related-party transactions. | Reviewed District policies and procedures related to identifying potential conflicts of interest. For selected District employees, reviewed Department of State, Division of Corporation, records; and District records to identify any potential relationships that represent a conflict of interest with vendors used by the District. |
| Dual enrollment programs. | Reviewed District policies and procedures related to dual enrollment programs. Determined, on a test basis, whether payments made for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes. |
| 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 SBE Rule 6A-1.0012, FAC. |
| 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 Florida Department of Education (FDOE) evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and Section 6A-6.0786, Florida Administrative Code. |
| Charter school employee training. | Determined whether the District properly monitored the new charter schools to evaluate whether charter school employees received the appropriate training pursuant to Section 1002.33(6)(f), Florida Statutes. |
| Charter school background screenings. | Determined whether the District verified that new charter schools subjected its employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Direct-support organizations and charter school audits. | Determined whether audits of the District's direct support organization and charter schools were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes. |
| Commercial insurance purchases. | Determined whether District records evidenced the basis upon which the District decided that the methods selected for acquiring commercial insurance was the most advantageous for the District. |
| E-payables. | Determined whether controls over e-payable disbursements were in place and that disbursements were properly authorized and approved in accordance with law, rules, and District policies. |
| 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. |
| Virtual instruction program (VIP) policies and procedures. | Determined whether the District had comprehensive written VIP policies and procedures addressing certain important VIP functions. |
| VIP parent options. | Reviewed District records to determine whether the District provided the VIP options required by State law and provided parents and students with information about their rights to participate in the VIP as well as timely written notification of VIP enrollment periods. |
| VIP fees. | Reviewed District accounting records to ensure that the District refrained from assessing registration or tuition fees for participation in the VIP. |
| VIP Sunshine State Standards. | Reviewed records to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study. |
| VIP instructional materials. | Reviewed student records and determined whether the District ensured that VIP students were provided with all necessary instructional materials and computing resources necessary for program participation for those eligible students that did not already have such resources in their home. |
| VIP eligibility. | Tested student records to determine whether students enrolled in the VIP met statutory eligibility requirements. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| VIP background screenings. | Determined whether the District verified that the required background screenings were performed in accordance with Section 1012.56, Florida Statutes. |
| VIP participation requirements. | Tested student records to determine whether students enrolled in the VIP met statutory participation requirements, including compulsory attendance and State assessment testing requirements. |
| VIP residual funds. | Determined whether the District had established controls to ensure that residual VIP funds are restricted and used on the District's local instructional improvement system or other technological tools, as required by law. |

## EXHIBIT B
## MANAGEMENT'S RESPONSE

SEMINOLE COUNTY
PUBLIC SCHOOLS

WALT GRIFFIN, Ed.D.
*Superintendent*

**Educational Support Center**
400 E. Lake Mary Boulevard
Sanford, Florida 32773-7127
Phone: (407) 320-0000
Fax: (407) 320-0281

**SCHOOL BOARD**

TINA CALDERONE, Ed.D
*Chairman*

AMY LOCKHART
*Vice Chairman*

KAREN ALMOND
*Board Member*

JEFFREY BAUER
*Board Member*

DEDE SCHAFFNER
*Board Member*

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December 8, 2014

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

Dear Mr. Martin,

Presented below is the District's response to the preliminary and tentative audit findings for the operational audit of the Seminole County District School Board for the fiscal year ended June 30, 2014.

**Finding No. 1:** Improvements were needed in controls over monitoring subcontractor services for guaranteed maximum price contracts.

**Response:** We have developed procedures for guaranteed maximum price contracts that require District staff to ensure subcontractors are appropriately selected and paid consistent with bid and contract provisions.

**Finding No. 2:** The District did not timely perform required background rescreenings for certain employees.

**Response:** We have made improvements to our systems to produce comprehensive exception reports which are designed to ensure that all continuing employees have been timely rescreened.

**Finding No. 3:** The District needed to strengthen its procedures to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

**Response:** We noted that there were no findings of a conflict of interest in any of our procurement transactions or contractual obligations. We will develop additional policies and/or internal procedures as practicable to address this finding.

**Finding No. 4:** Controls over contractual services and related payments could be enhanced.

**Response:** We will create a verification process where school staff with contemporaneous knowledge will confirm that the services were received prior to payment of the respective law enforcement office's invoices.

## EXHIBIT B (CONTINUED)
## MANAGEMENT'S RESPONSE

**Finding No. 5:** Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

**Response:** We have created the virtual instruction program manual and will maintain it.

**Finding No. 6:** The District could enhance its procedures to ensure that the required number of VIP options is offered.

**Response:** We are in the process of identifying a third virtual instruction option that will best meet the needs of students in grades K-12. The additional option(s) will be in place for the 2015-16 school year.

**Finding No. 7:** District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

**Response:** Upon the Auditor General staff's clarification of the interpretation of the "timely written notification" requirement in statute, school district officials made a good faith effort to improve compliance for the 2014-15 school year by placing the required enrollment statement on each student's final report card for the school year. For the 2015-16 school year, the school district will fully comply with the written parental notification requirement by placing the required enrollment statement on each elementary student's 2nd trimester report card (to be issued in March, 2015) and each secondary student's course request card (to be issued in January, 2015). Each school principal will document the date of distribution of the written notice to families.

**Finding No. 8:** Procedures could be enhanced to ensure the eligibility of students enrolled in the District's VIP.

**Response:** Procedures have been developed and implemented to ensure the eligibility of students enrolled in Virtual Instruction Programs.

**Finding No. 9:** Procedures need to be established to ensure the proper distribution of instructional materials to VIP students.

**Response:** Procedures have been developed and implemented to ensure that instructional materials are properly distributed to VIP students.

**Finding No. 10:** Some unnecessary information technology (IT) application access privileges existed.

## EXHIBIT B (CONTINUED)
## MANAGEMENT'S RESPONSE

**Response:** As indicated in the finding this was corrected once it was brought to our attention during the conduct of the audit.

**Finding No. 11:** District IT security controls related to user authentication needed improvement.

**Response:** As indicated in the finding this was corrected once it was brought to our attention during the conduct of the audit. Procedures have been developed to ensure the continued confidentiality, integrity, and availability of District data and digital resources.

Sincerely,

Walt Griffin, Ed.D.
Superintendent