REPORT NO. 2015-069
DECEMBER 2014

LEE 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.
Mary Fischer, Chair to 11-18-13	1
Jeanne S. Dozier	2
Cathleen O'Daniel Morgan, Vice Chair from 11-19-13	3
Don H. Armstrong, Vice Chair to 11-18-13	4
Thomas Scott, Chair from 11-19-13	5

Dr. Nancy J. Graham, Superintendent

The audit team leader was Cesar A. Mayorga and the audit was supervised by Deirdre F. Waigand, CPA. For the information technology portion of this audit, the audit team leader was Shawn McCormick, CPA, 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 dougconner@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.

LEE COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

INVESTMENTS

Finding No. 1: Improvements were needed in internal controls over the investment program.

PROCUREMENT

Finding No. 2: Enhancements were needed in controls over the District's purchasing card program.

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.

CAPITAL OUTLAY FUNDING

Finding No. 4: District records did not always evidence that ad valorem tax levy proceeds were used for authorized purposes, resulting in approximately $1.5 million of questioned costs.

INSURANCE

Finding No. 5: Controls over health insurance services and related premium costs could be improved.

CHARTER SCHOOLS

Finding No. 6: Procedures could be enhanced to ensure that property and unencumbered funds of terminated charter schools are appropriately returned to the District.

ADULT GENERAL EDUCATION

Finding No. 7: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 8: 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. 9: The District had not established procedures to ensure that VIP students and their parents are notified of the availability of computing resources and that qualified VIP students are provided computing resources.

INFORMATION TECHNOLOGY

Finding No. 10: The District had not developed a comprehensive, written information technology (IT) risk assessment.

Finding No. 11: Some inappropriate IT access privileges existed.

Finding No. 12: The District did not timely deactivate the network IT access privileges for some former employees.

Finding No. 13: Certain District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement.

Finding No. 14: The District had not developed a written IT security incident response plan.

BACKGROUND

The Lee 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 Lee County. The governing body of the District is the Lee 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 98 elementary, middle, high, and specialized schools; sponsored 16 charter schools; and reported 86,159 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

Investments

Finding No. 1: Investment Controls

Pursuant to Section 218.415(16), Florida Statutes, the Board established an investment policy that authorized the District to invest surplus funds in State Board of Administration (SBA) Local Government Surplus Trust Fund investment pools, direct obligations of the United States Treasury, money market funds, and other investment instruments such as highly-rated corporate notes. Also, Section 218.415(15), Florida Statutes, and Board policies require the District to report investment information, such as the investment types, book values, income earned, and market values, on a quarterly basis to the Superintendent and annually to the Superintendent and Board. In addition, Section 218.415(14), Florida Statutes, and Board policies require certain employees, such as the Assistant Superintendent of Business and Finance, Executive Director of Financial Services, and other District personnel who are responsible for making investment decisions, to annually complete eight hours of continuing education in investment practices and products.

At June 30, 2014, the District reported total investments of $251.4 million, authorized by Section 218.415(16), Florida Statutes, and Board policy, consisting of $147.5 million of SBA pool investments, $46 million of direct obligations of the United States Treasury, $46.1 million of money market funds, and $11.8 million of highly-rated corporate notes. While the District's investments are primarily managed by an investment advisor firm that facilitates the District's investment decisions and controls over investments were generally adequate, enhancements could be made as follows:

- Quarterly and annual investment reports including the required information were not submitted to the Superintendent and Board, contrary to Section 218.415(15), Florida Statutes, and Board policies. District personnel indicated that investment information is detailed in the notes to financial statements presented to the Board with the annual financial report (AFR) and comprehensive annual financial report (CAFR). While the AFR and CAFR contain important investment disclosures as of June 30, including investment types, credit ratings, and related amounts, the Superintendent was not notified of quarterly investment activities and the AFR and CAFR did not identify the book value or income earned by investment type. When reports of investment activities are not timely communicated to the Superintendent and Board, there is an increased risk that investment policies may not be followed consistently and in a manner pursuant to management's intent and matters requiring corrective action may not be timely detected, investigated, and resolved.

- District personnel responsible for making investment decisions did not receive the required investment training, contrary to Section 218.415(14), Florida Statutes, and Board policies. Subsequent to our inquiry in October 2014, such District personnel obtained the required training. Without this training, there is an increased risk that personnel may not make informed and appropriate investment decisions, resulting in loss of investment value, earnings, and liquidity.

Recommendation: The District should provide for timely submission of investment reports to the Superintendent and Board, and continue its effort to provide the required investment training.

Procurement

Finding No. 2: Purchasing Cards

The District uses purchasing cards (P-cards) to expedite the purchase of selected goods and services. Purchases made with P-cards are subject to the same rules and regulations that apply to other District purchases and are subject to additional requirements in the P-card Manual. The P-card Manual requires cardholders to submit receipts supporting charges to the group reconciler, such as the school bookkeeper or department secretary, to compare to the P-card statements and review with the department-head for propriety. Also, the District's P-card Manual limits single transactions to $999, total bi-weekly purchases to no more than $12,500, and prohibits purchases from being split to circumvent the single item purchase limit. In addition, the P-card Manual provides that it is the responsibility of the department-head to collect P-cards assigned to terminating employees and to submit those cards to the P-card administrator for cancellation.

The District maintained 470 purchasing cards as of June 30, 2014, and purchasing card expenditures totaled $2.3 million for the 2013-14 fiscal year. To determine the propriety of P-card expenditures and whether controls were operating effectively, we tested P-card expenditures totaling $135,122 made by 20 cardholders, and reviewed P-cards assigned to five individuals that had P-cards and terminated employment during the 2013-14 fiscal year to determine if the P-cards were cancelled timely. Our review disclosed the following:

- Of the 20 cardholders for which we tested P-card expenditures, 16 made purchases from 16 different vendors totaling $85,446, and the purchases were split into 199 transactions that appeared to circumvent the single transaction limit set by the P-card Manual. For example, a cardholder made 4 purchases of $985 each on July 25, 2013, to the same vendor for double wall insulated spiral ducts totaling $3,938. District personnel indicated that these purchases were necessary to effectively maintain the schools; however, P-card purchases that exceed the limits set by the P-card Manual to the same vendor over a short period of time circumvent Board intent in establishing the transaction limits.
- For one of the five cardholders who terminated employment, the P-card was inadvertently not cancelled for 242 days after the employee's termination date because the P-card administrator was not timely notified of the termination. While the P-card was not used subsequent to the termination, without timely cancellation of cards of terminated employees, there is an increased risk that the cards could be misused by former employees or others.

Recommendation: The District should enhance controls over P-cards to ensure that purchases are not split to circumvent transaction limits and that P-cards of terminated employee are timely cancelled.

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 new principals

are apprised upon employment and school bookkeepers are periodically reminded to avoid purchases that would constitute a conflict of interest.

The Superintendent, Board members, and 95 employees were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. However, these statements of financial interests were not provided to the Purchasing department for review. 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 interest by its Purchasing Department for consideration in making procurement decisions.

Capital Outlay Funding

Finding No. 4: Ad Valorem Taxation

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

For the 2013-14 fiscal year, the District had LCIF expenditures and transfers to the General Fund totaling $62.5 million and $25.6 million, respectively, and we tested LCIF expenditures and transfers totaling $2.4 million and $22 million, respectively, to determine their propriety. District records generally supported the ad valorem tax levy expenditures and transfers. However, we noted $4.2 million of LCIF transfers to the General Fund for building supervisor services that included responsibilities for monitoring custodial and groundskeeping functions for which District records, such as personnel activity reports, were not maintained to evidence the amount of time the supervisors spent monitoring these activities. Also, building supervisor job descriptions did not evidence that monitoring these activities were incidental to their other responsibilities.

We extended our procedures to interview 5 of the 83 building supervisors and noted that the 5 supervisors devoted an average of 35.4 percent of their time to custodial and groundskeeping functions. If all building supervisors devoted this percent of time to custodial and groundskeeping functions, $1.49 million of LCIF transfers for building supervisor services would represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy proceeds are expended for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions. A similar finding was noted in our report No. 2012-063.

Recommendation: The District should enhance controls to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. Such controls should include preparation of District records, such as personnel activity reports, to evidence the allowable activities being funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the $1.49 million of questioned costs or restore this amount to the LCIF.

Follow-up to Management's Response:

The District indicates in its response that it disagrees with our finding and will appeal to the Florida Department of Education (FDOE) on this issue. The District further indicates that in response to a similar finding in our prior audit, the FDOE concluded that the building supervisors' salaries we questioned were an appropriate use of ad valorem tax proceeds. However, the point of our finding is that the District continued to not maintain records evidencing the amount of time the building supervisors' spent on activities for which ad valorem tax proceeds may not be used, and our interviews with building supervisors indicated that a significant portion of their time was spent on such activities, resulting in $1.49 million of questioned costs. We agree that the District should consult with the FDOE regarding these questioned costs.

Insurance

Finding No. 5: Health Insurance – Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted salary schedules required the District to contribute $6,372 toward the health insurance of each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and recording the proceeds in the District health self-insurance fund.

For the 2013-14 fiscal year, 10,123 employees contributed a total of $7 million and 519 retirees contributed a total of $3 million to participate in the District's health insurance plan, and the District contributed $60 million toward the plan. However, the District did not have procedures, such as reconciliations of health insurance billings to payroll records and review of documents evidencing dependents' eligibility, to ensure that health insurance payments were only for eligible participants. While our test of health insurance plan participants did not disclose any ineligible participants, our procedures cannot substitute for management's responsibility to implement adequate controls to ensure the eligibility of participants.

Recommendation: The District should enhance its controls to ensure the eligibility of health insurance plan participants. Such procedures could include reconciliations of health insurance billings to payroll records and verifications of the eligibility of dependents covered by the District's health insurance plan.

Charter Schools

Finding No. 6: Charter School Termination

Section 1002.33(8)(e), Florida Statutes, provides that when a charter school terminates operations, certain school unencumbered public funds and property purchased with public funds must revert to the District. During the 2012-13 fiscal year, five charter schools closed, including Lee Alternative Charter High School, Lee Charter Academy, Inc., Lehigh Charter School of Excellence, Inc., Richard Milburn Academy of Florida, Inc., and Richard Milburn Academy of Florida South, Inc. For four of the five charter schools, the last financial audits were for the 2011-12 fiscal year, and reported property, net of accumulated depreciation, of $33,680 and unencumbered funds of $148,842. As of October 2014, the Lehigh Charter School of Excellence, Inc., had not obtained a 2011-12 fiscal year

audit, but the school's records identified a deficit $188,107 unassigned fund balance as of February 2012, the month in which the school closed.

District personnel indicated that they prepared a list of property the charter schools returned to the District and the District transferred the property to other charter schools using the District's equipment request process. Although District personnel indicated that they reduced a portion of the Florida Education Finance Program allocation to the Richard Milburn Academy of Florida, Inc., to help compensate for amounts the charter school owed the District, District procedures did not ensure appropriate receipt of all charter school property by reconciling the items to the charter schools' property records and other unencumbered public funds to which the District was entitled.

Without appropriate procedures to physically inventory and reconcile property to related records and require timely reversion of unencumbered funds, there is an increased risk that the District may not rightfully reclaim assets of terminated charter schools.

Recommendation: The District should enhance procedures to ensure, upon terminations of charter schools, that financial audit reports for all terminated charter schools are obtained and that property and unencumbered funds are appropriately returned to the District. Further, the District should continue its efforts to obtain unencumbered funds totaling $148,842.

Adult General Education

Finding No. 7: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and proviso language in Chapter 2013-40, Laws of Florida, Specific Appropriation 117, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the FDOE instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance, including students participating in an online or on-campus class lab, and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2013-14 fiscal year, the District reported to the FDOE 452,189 instructional contact hours for 2,140 students enrolled in 32 adult general education classes. We randomly selected a representative sample of 2,574 hours reported for 30 students enrolled in 23 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed contact hours were over-reported by a net of 236.5 hours for 11 students in 11 classes as follows:

- The District over-reported 276.5 hours for 9 students enrolled in 9 different classes mainly from inputting incorrect withdrawal dates and a programming design flaw. Three of the 9 students attended lab classes and were procedurally withdrawn more than allowed by the FDOE and the District withdrawal procedures.
- The District under-reported 40 hours for 2 students in 2 different classes mainly from inputting incorrect enrollment and withdrawal dates.

Given the number and nature of the errors, the full extent of the class hours misreported was not readily available. Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly. Similar findings were noted in our report Nos. 2009-048 and 2012-063.

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours misreported and contact the FDOE for proper resolution.

Virtual Instruction Program

Finding No. 8: 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.

For the 2013-14 fiscal year, District records indicated enrollments of 1,035 part-time and 237 full-time VIP students. The District's pupil progression plan and other records identified certain instruction methods and enrollment and withdrawal information. The District also had written procedures addressing VIP student eligibility, VIP student progression requirements, VIP student mandated testing, and other procedures related to VIPs; however, the procedures could be expanded to include other VIP statutory requirements, such as providing computing resources and instructional materials to eligible students, and providing timely, written parental notifications of VIP options.

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. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instance of District's noncompliance and control deficiency identified in Finding No. 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. 9: Computing Resources

Section 1002.45(3)(d), Florida Statutes, requires the District to provide all necessary equipment, such as computers, monitors, printers, and Internet access for online instruction to full-time VIP students who are eligible for free or reduced price school lunches, or who are on the direct certification list, and who do not have a computer or Internet access in the student's home.

To provide underprivileged students access to technology resources, the District's Web site provides applications for parents to complete, which allows District personnel to assess whether students are eligible for computing resources. However, District personnel indicated that the applications were not provided directly to VIP students or their

parents. Consequently, the District provided computer resources to only 12 of the 1,272 students that participated in VIP courses. Directly notifying eligible students and their parents of the availability of computer resources would help ensure that these students have the appropriate resources required to successfully complete VIP courses.

Recommendation: The District should establish procedures to ensure that VIP students and their parents are properly notified of the availability of computing resources and that qualified VIP students are provided these resources.

Information Technology

Finding No. 10: Risk Assessment

Management of information technology (IT)-related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps an entity understand its greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessment, including the identification of risks, the evaluation of the likelihood of threats, and the severity of threat impact, helps support management's decisions in establishing cost effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although the District had informally considered external and internal risks based on various tests and reviews conducted within selected departments and identified security controls such as selected configuration settings to mitigate these risks, the District had not developed a comprehensive, written IT risk assessment. A comprehensive, written IT risk assessment would consider, in addition to the informal risk assessments, threats and vulnerabilities at the Districtwide, system, and application levels and document the range of risks that the District systems and data may be subject to, including those posed by internal and external users. The absence of a comprehensive, written IT risk assessment may lessen the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through security controls. A similar finding was noted in our report No. 2012-063.

Recommendation: The District should develop a comprehensive, written IT risk assessment to provide a documented basis for managing IT-related risks.

Finding No. 11: Access Privileges

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

Our tests of selected access privileges to the District's Enterprise Resource Planning (ERP) system, including finance and human resources (HR) applications, disclosed that three Information Systems (IS) department employees had the ability to update all critical finance and HR transactions. District personnel indicated that the three employees needed access to help end users; however, the access privileges granted were contrary to an appropriate separation of the IS employees' assigned responsibilities for the technical support of the District's ERP applications, including systems

programming and security administration, and end-user responsibilities. In addition, the District had not developed procedures for the periodic review of administrative access privileges.

Although the District had certain controls (e.g., supervisory monitoring of employee activities, expenditure monitoring, and annual review of user group profiles) that compensated, in part, for the above deficiencies, when complete ERP application access privileges are inappropriately granted, there is an increased risk of unauthorized disclosure, modification, or destruction of District data or IT resources. Without a periodic review of administrative access privileges, there is an increased risk that the District may not timely detect and address inappropriate access privileges, should they exist. A similar finding was noted in our report No. 2012-063.

Recommendation: The District should ensure that access privileges assigned enforce an appropriate separation of IS and end-user responsibilities. In addition, the District should develop procedures for the periodic review of administrative access privileges.

Finding No. 12: Timely Deactivation of Access Privileges

Effective management of IT access privileges includes the timely deactivation of IT access privileges when an employee is terminated. Prompt action is necessary to ensure that IT access privileges are not misused by former employees or others to compromise data or IT resources.

Certain critical application systems and confidential or sensitive information stored within individual users' documents are accessible through the District's network. On April 3, 2014, the District implemented an automated process for deactivating former employees' network access privileges based on input of the termination date in the HR application. Prior to this automated deactivation process, principals or department directors were responsible for notifying the IS department of employee terminations and the need for deactivating network access.

Our test of 50 former District employees, who terminated employment during the period July 1, 2013, through February 28, 2014, disclosed that the network access privileges of 4 former employees remained active from 53 to 220 days after employment termination. District personnel indicated that the 4 former employees did not misuse their access privileges to compromise District data; however, we noted that 1 of the 4 employees' network accounts disclosed logon activity subsequent to termination. The District deactivated access for 1 of the 4 employees' network access privileges before our inquiry and the remaining 3 former employees' after our inquiry. Also, District management indicated that the network access privileges were not deactivated timely because the IT support department had not received the required notifications.

When network access privileges of former employees are not timely deactivated, the risk is increased that access privileges may be misused by the former employees or others. Similar findings were noted in our report Nos. 2009-048 and 2012-063.

Recommendation: The District should ensure that the network access privileges of former employees are timely deactivated.

Finding No. 13: Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication, data loss prevention, and logging

and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, data loss prevention, and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to user authentication and data loss prevention were communicated to District management in connection with our report No. 2012-063.

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

Finding No. 14: Security Incident Response Plan

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

Although the District may become aware of security incidents by employees contacting local, technical or administration team staff and designate certain District employees to respond to such incidents, the District had not developed a written security incident response plan including:

- Definitions of computer security incidents and an established process for reporting a suspected incident;
- Established procedures for isolating and containing a security threat and capturing and maintaining events associated with an incident;
- Identification of response team members trained in roles and responsibilities;
- An established process for involving the appropriate local, State, and Federal authorities; and
- An established process, pursuant to Section 501.171, Florida Statutes (previously Section 817.5681, Florida Statutes), of notifying affected parties whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person.

Should an incident occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources. A similar finding was noted in our report No. 2012-063.

Recommendation: The District should develop a written security incident response plan to provide reasonable assurance that the District will respond in an appropriate and timely manner to security incidents that may jeopardize the confidentiality, integrity, or 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
4	Audit Report No. 2012-063, Finding No. 1	NA
7	Audit Report No. 2012-063, Finding No. 6	Audit Report No. 2009-048, Finding No. 5
10	Audit Report No. 2012-063, Finding No. 12	NA
11	Audit Report No. 2012-063, Finding No. 9	NA
12	Audit Report No. 2012-063, Finding No. 10	Audit Report No. 2009-048, Finding No. 2
13	Audit Report No. 2012-063, Finding No. 11	NA
14	Audit Report No. 2012-063, Finding No. 13	NA

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 February 2014 to October 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.
- 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, weaknesses 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 and selected actions taken prior 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 District 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 authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed the District's procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the District's Enterprise Resource Planning finance and human resources applications and databases to determine the appropriateness and necessity based on employees' job duties and adequacy with regard to preventing the performance of incompatible duties.
IT 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 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.	Determined whether the District had developed a written security incident response plan.
IT risk management and assessment.	Determined whether the District had developed a written, comprehensive IT risk assessment to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
Deactivation of employee IT access.	Reviewed District procedures that prohibited former employees' access to electronic data files. Tested the network access privileges of former employees to determine whether the network access privileges had been timely deactivated.
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.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, 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).

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Adult general education program enrollment reporting.	Tested a representative sample of 30 students from the population of students in adult general education classes to determine whether the District reported instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
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 the budget were sufficient to ensure that all potential expenditures were budgeted.
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.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Construction processes.	Examined records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
Construction 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 architects and engineers, construction managers, and subcontractors by the construction manager.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost-effective and consistent with established benchmarks, and whether contractors performed as expected.
Five-year facilities work plan.	Reviewed the current five-year facilities work plan and determined whether the District maintained records that supported the information reported in the plan.
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.
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.
Consultant contracts.	Tested selected consultant contracts to determine compliance with competitive selection requirements, whether the District contracted with its employees for services provided beyond that provided in the salary contract contrary to Section 112.313, Florida Statutes, and whether the contract clearly specified deliverables, time frames, documentation requirements, and compensation. Also tested selected payments for proper support and compliance with contract terms.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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; statements of financial interest; 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 whether selected electronic funds transfers and payments were properly authorized and supported, and complied with State Board of Education Rule (SBE) 6A-1.0012, Florida Administrative Code (FAC).
Charter school fiscal viability.	Determined whether the District evaluated the charter school applications 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 SBE Rule 6A-6.0786, FAC.
Charter school termination.	For charter school charters that were not renewed or were terminated, reviewed District procedures to determine whether applicable funds and property appropriately reverted to the District, and that the District did not assume debts of the school, except as previously agreed upon by the District.
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. For schools subjected to an expedited review, examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
Charter school insurance.	Interviewed District personnel and reviewed supporting documentation to determine whether the District effectively monitored whether the charter schools maintained insurance in accordance with District requirements.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
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.
Direct-support organization.	Tested payments and transfers between the District and its direct-support organization to determine the legal authority of such payments.
Auditor selection.	Determined whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes.
Internal funds audits.	Examined supporting documentation to determine whether required internal funds audits were timely performed pursuant to SBE Rule 6A-1.087, FAC and whether the audit reports were presented to the Board.
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 and computing resources.	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 background screenings.	For District-contracted FDOE-approved VIP providers, determined whether the District obtained evidence that all provider employees and contracted personnel were subjected to background screenings in accordance with Section 1002.45(2)(a)3., Florida Statutes.
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 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 FDOE-approved contract provisions.	For District-contracted FDOE-approved VIP providers, determined whether contracts with the providers contained provisions required by State law, including: (1) a detailed curriculum plan; (2) a method for satisfying graduation requirements; (3) a method for resolving conflicts; (4) authorized reasons for contract terminations; (5) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed; and (6) a requirement that the provider comply with Section 1002.45, Florida Statutes. Also, reviewed contracts to determine whether provisions were included to address compliance with contact terms, the confidentiality of student records, monitoring of the providers' quality of virtual instruction, data quality, and the availability of provider accounts and records for review and audit by the school districts and other external parties.
VIP teacher certification.	Compared the certification coverages listed on the teachers' certificates to the required coverages for courses taught as listed on the FDOE's Course Code Directory to determine whether the VIP teachers selected for testing were properly certified.
VIP residual funds.	Determined whether the District had established controls to ensure that residual VIP funds are restricted and used for the District's local instructional improvement system or other technological tools, as required by law.

EXHIBIT B
MANAGEMENT'S RESPONSE

THE SCHOOL DISTRICT OF LEE COUNTY
2855 COLONIAL BLVD. ♦ FORT MYERS, FLORIDA 33966 ♦ WWW.LEESCHOOLS.NET

CATHLEEN O'DANIEL MORGAN
CHAIRMAN, DISTRICT 3
STEVEN K. TEUBER
VICE CHAIRMAN, DISTRICT 4
MARY FISCHER
DISTRICT 1
JEANNE S. DOZIER
DISTRICT 2
PAMELA H. LARIVIERE
DISTRICT 5
NANCY J. GRAHAM, ED.D
SUPERINTENDENT
KEITH B. MARTIN, ESQ.
BOARD ATTORNEY

December 12, 2014

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

Dear Mr. Martin,

Enclosed is the response to the Preliminary and Tentative Audit Findings on the Financial and Federal Single audit of the Lee County School Board for the fiscal year ended June 30, 2014.

Thank you for your assistance.

Sincerely,

Dr. Nancy J. Graham, Ed.D.
Superintendent

Enclosures

Cc: Ms. Cathleen O'Daniel Morgan, Chairman, Lee County School Board
Mr. Steven K. Teuber, Vice Chairman, Lee County School Board
Members, Lee County School Board
Dr. Ami V. Desamours, Assistant Superintendent, Business & Finance
Mr. William B. Tubb, Executive Director of Financial Services
Mr. Mark A. Santiago, Director of Financial Services

VISION: TO BE A WORLD-CLASS SCHOOL SYSTEM

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 1: Investment Controls

Recommendation: The District should provide for timely submission of investment reports to the Superintendent and Board, and continue its effort to provide the required investment training.

Response:
Prior to April 2014 the District's investments were entirely with the State Board of Administration's Investment Pool. In April 2014, the District began to diversify its investments to maintain safety and enhance return on investments. On April 2, 2014, the Board Investment Policy (6.05), was modified to expand the permissible investment vehicles available to the District for excess funds. At the end of fiscal year 2014, the first quarter of this new investment policy had just ended. Subsequent to audit date, the District has presented Quarterly Earnings Reports from our Investment Advisor to the Superintendent and the Board, and the persons named in the Board Policy as needing 8 hours per year of Continuing Professional Education (CPE) have completed and obtained the required CPE credits and investment training.

Finding No. 2: Purchasing Cards

Recommendation: The District should enhance controls over P-Cards to ensure that purchases are not split to circumvent transaction limits and that P-Cards of terminated employee are timely cancelled.

Response:
The District's P-Card procedures manual and policies have been revisited and updated in fiscal year 2014. Subsequent to this; the District has held Bookkeeper training sessions to insure the employees responsible to reconcile P-Card transactions are aware of the updated policies and are prepared to monitor P-Card purchases in accordance with these new policies. The District has notified all P-Card holders that a variation from approved District policies could result in cancellation of P-Card privileges or other disciplinary actions.

Training for the employees responsible to reconcile and administer/approve P-Card transactions included emphasis on the importance of collecting any P-Card from any employee that terminates employment with the District. To that end, the District's P-Card Administrator is now reviewing all Board agendas for employee terminations, to ensure that P-Cards are deactivated in a timely manner.

Finding No. 3: Purchasing Procedures

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

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Response:
Copies of the Statement of Financial Interests filed pursuant to Section 1112.3145, Florida Statutes, will be obtained by the Internal Auditing Department and provided to the Procurement Department by the Superintendent, Board Members, and the other 95 employees who are required to file these forms with the Supervisor of Elections. The Procurement Department staff will review these Statements on an annual basis for possible conflicts of interest and report any possible instances to the Assistant Superintendent of Business and Finance.

Finding No. 4: Ad Valorem Taxation

Recommendation: The District should enhance controls to insure that ad valorem tax levy proceeds are expended only for authorized purposes. Such controls should include preparation of District records, such as personnel activity reports, to evidence the allowable activities being funded from ad valorem tax levy proceeds. In addition, the District should document the allowability of the $1.49 million of questioned costs or restore this amount to the LCIF.

Response:
The District takes exception to this finding. In the previous Auditor General's review the same issue was raised. The District's response at that time was as follows:

(1) "The building supervisors referenced in the finding have the responsibility to maintain and repair the District's educational and ancillary buildings. The job description for Building Supervisors does not reference supervising other staff with the exception of the Job Description for Building Supervisors at the 13 High Schools. The essential function that includes supervising is one of thirteen essential functions. In addition, that does not negate the fact that the building supervisors' main responsibility is the maintenance and repair of buildings. The district has head custodians, who also have the supervisory responsibility for custodians, but also have significant custodial responsibilities.

The School District of Lee County appealed this finding to the Florida Department of Education (FDOE) in the fiscal year 2011 audit and received an acknowledgement from the FDOE that the District was not in violation of the use of Ad Valorem Tax proceeds and the Building Supervisor salaries were indeed an appropriate usage of Capital Ad Valorem Tax proceeds. Since winning this appeal from fiscal year 2011, the District has continued the practice.

The District plans on filing another appeal to the FDOE on this issue as we do not agree with the Auditor General's office on this issue.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 5: Health Insurance

Recommendation: The District should enhance its controls to ensure the eligibility of health insurance plan participants. Such procedures could include reconciliations of health insurance billings to payroll records and verifications of eligibility of dependents covered by the District's health insurance plan.

Response:
The District agrees with this finding and while there is no indication that any claims were paid for ineligible participants, the District is in the process of developing query reports to validate all insurance plan payments. The District will develop a process to compare payroll deductions from all eligible employees to the insurance plans on record for those employees. We will also compare that both the plan and payroll deduction agree to the premiums submitted to our Self Insured Plan Administrator for all eligible employee and dependent care coverage.

Finding No. 6: Charter School Termination

Recommendation: The District should enhance procedures to ensure, upon terminations of charter schools, that financial audit reports for all terminated charter schools are obtained and that property and unencumbered funds are appropriately returned to the District. Further, the District should continue its efforts to obtain unencumbered funds totaling $148,842.

Response:
The District strives, under the limitations of State Statute to gather financial audits of all Charter Schools, and be prepared to recover the property and unencumbered funds of any Charter School that closes its doors. On November 25th the District recovered an additional $25,000 from the Richard Milburn Academy per a Legal Settlement with this organization.

The District's Property & Records Department will strive to collect an annual property inventory from each charter location to assist in identifying items to be recovered in the event of a Charter School closure.

Finding No. 7: Adult General Education Classes

Recommendation: The District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education classes to the FDOE. The District should also determine the extent of adult general hours misreported and contact the FDOE for proper resolution.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Response: The District will minimize the Open Lab Schedules at the Tech Centers and will ensure that withdrawal process is followed and entered accurately. To correct programming design flaws, District has built separate day and evening classes for student enrollment and have added department oversight procedures to correctly manage the student withdrawals.

The District is also in the process of replacing our current Student Information System (SchoolDesx). The School District of Lee County is currently working with the FDOE under a grant to implement FOCUS Schools Software for all data. We will be implementing FOCUS for the Fiscal Year 2015-16. This new system will provide a better and more accurate way of reporting instructional hours.

Finding No. 8: Virtual Instruction Program Policies and Procedures

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

Response: The District will consider expanding its current VIP policies and guidelines to ensure that some type of timely written notification can be sent to parents and students about the availability and requirements of the VIP program. The District does currently advertise its VIP program on the District's website as well as the Parent Link notification system which sends e-mails, text messages and automated phone messages to parents. The District will also strive to ensure that the availability of computing resources is part of all notifications to parents and students along with directions on how to qualify for such resources.

Finding No. 9: Computing Resources

Recommendation: The District should establish procedures to ensure that VIP students and their parents are properly notified of the availability of computing resources and that qualified VIP students are provided these resources.

Response: The District currently reviews and discusses the availability of computing resources during the orientation phase of enrollment into the VIP program. The District also has the application for computer resources form available on its website. The District will develop additional methods to the website and Parent Link notification system to ensure that all parents and students are notified of the availability of computing resources for the VIP program to all students that qualify.

Finding No. 10: Risk Assessment

Recommendation: The District should develop a written, comprehensive IT risk assessment to provide a documented basis for managing IT-related risks.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Response: The District will work toward developing a written IT risk assessment. As a first step in the process, the District will explore the feasibility of allocating resources and budget dollars necessary to draft a plan.

Finding No. 11: Access Privileges

Recommendation: The District should ensure that access privileges assigned enforce an appropriate separation of IS and end-user responsibilities. In addition, the District should develop procedures for the periodic review of administrative access privileges.

Response: The District will reassess component role needs in relation to job responsibilities and assign only those identified as necessary for job productivity to the individual user profiles of the three persons noted. This action will be addressed after the PeopleSoft 9.2 upgrade completion so as not to put the software upgrade project at risk.

The District will extend the current review process by functional areas to include the roles of the Information Systems Department PeopleSoft Admins.

Finding No. 12: Timely Deactivation of Access Privileges

Recommendation: The District should ensure that the network access privileges of former employees are timely deactivated.

Response: On April 13, 2014 the District implemented an automated process for deactivating former employees' network access privileges based on input of the termination date in the HR PeopleSoft application.

Finding No. 13: Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring of System Activity

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

Response: User Authentication – The District is in the process of implementing the IT Security Controls related to User Authentication as discussed on the July 28, 2014 conference call.

Data Loss Prevention – The District will explore the feasibility of allocating resources and budget dollars to address this recommendation, in conjunction with the IT Risk Assessment recommendation.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Logging and Monitoring of System Activity – The District is in the process of implementing a plan to monitor system activity. This action will be addressed after the PeopleSoft 9.2 upgrade completion so as not to put the upgrade at risk.

Finding No. 14: Security Incident Response Plan

Recommendation: The District should develop a written security incident response plan to provide reasonable assurance that he District will respond in an appropriate and timely manner to security incidents that may jeopardize the confidentiality, integrity, or availability of District data and IT resources.

Response: The District will explore the feasibility of allocating resources and budget dollars to address the development of a written IT Security Incident Response Plan, in conjunction with the IT Risk Assessment recommendation.