REPORT NO. 2015-075
DECEMBER 2014

ESCAMBIA 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.
Jeff Bergosh, Chair to 11-18-13	1
Gerald Boone	2
Linda Moultrie, Vice Chair to 11-18-13, Chair from 11-19-13	3
Patty Hightower, Vice Chair from 11-19-13	4
Bill Slayton	5

Malcolm Thomas, Superintendent

The audit team leader was Joan E. Valle, CPA, and the audit was supervised by James W. Kiedinger, Jr., CPA. For the information technology portion of this audit, the audit team leader was Victoria Mathews, 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.

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ESCAMBIA COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

CASH CONTROLS

Finding No. 1: Bank account reconciliations were not timely performed.

Finding No. 2: Controls over electronic funds transfers could be enhanced.

RESTRICTED RESOURCES

Finding No. 3: The District did not allocate purchasing card program rebates generated by restricted resources to appropriate District funds.

CONSTRUCTION ADMINISTRATION

Finding No. 4: Controls over negotiating and monitoring construction management entity (CME) general conditions costs could be enhanced.

Finding No. 5: The District could enhance its construction administration procedures regarding selection of subcontractors.

Finding No. 6: The District could enhance its procedures to monitor verification of subcontractors' licensure status.

Finding No. 7: CME payment requests were not always reconciled to subcontractors' invoices, bids, and contracts prior to payment.

Finding No. 8: Controls over facilities construction and maintenance activities could be enhanced.

PERSONNEL AND PAYROLL

Finding No. 9: The District did not adequately document the qualifications of its newly hired noninstructional administrative and professional employees.

Finding No. 10: Controls over monitoring bus drivers could be improved.

Finding No. 11: Procedural enhancements were needed to ensure documented supervisory review and approval of noninstructional contracted and permanent hourly personnel time worked.

PROCUREMENT

Finding No. 12: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 13: Controls over the procurement of goods and services could be improved.

DIRECT-SUPPORT ORGANIZATION

Finding No. 14: The District paid for an audit of its direct-support organization without specific legal authority.

CHARTER SCHOOLS

Finding No. 15: The District did not ensure that capital assets transferred to the District from a terminated charter school were properly safeguarded.

ADULT GENERAL EDUCATION

Finding No. 16: The Board had not adopted a plan for the use of unspent workforce education funds accumulated over several years.

Finding No. 17: 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. 18: 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. 19: Procedural enhancements were needed to ensure that the required number of VIP options is offered.

Finding No. 20: The District could enhance its procedures to ensure that timely, written notifications are provided to parents about all VIP options offered.

Finding No. 21: District records did not evidence that required background screenings were performed for VIP provider employees and contracted personnel.

Finding No. 22: Procedures needed to be enhanced to ensure that qualified VIP students are provided computing resources.

INFORMATION TECHNOLOGY

Finding No. 23: Some inappropriate information technology (IT) access privileges existed.

Finding No. 24: District IT security controls related to user authentication and monitoring of system activity needed improvement.

Finding No. 25: The District had not developed a written IT security incident response plan.

Finding No. 26: The District had not developed a comprehensive IT security awareness training program.

BACKGROUND

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

During the 2013-14 fiscal year, the District operated 61 elementary, middle, high, and specialized schools and other programs; sponsored 8 charter schools; and reported 40,171 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

Cash Controls

Finding No. 1: Bank Account Reconciliations

Effective internal controls require that reconciliations of bank account balances to general ledger balances be performed on a timely, routine basis and reviewed by supervisory personnel. Such reconciliations are necessary to provide reasonable assurance that cash assets agree with recorded amounts, permit prompt detection and correction of unrecorded and

improperly recorded cash transactions or bank errors, and provide for the efficient and economic management of cash resources. At June 30, 2014, the District reported cash and cash equivalents totaling $149 million, of which cash in bank totaled $128.1 million.

During the 2013-14 fiscal year, the District maintained 12 bank accounts, including the general operating and payroll accounts. Various accounting personnel were responsible for preparing bank account reconciliations and the appropriate supervisors were responsible for reviewing and approving the reconciliations. However, District personnel did not always timely perform bank account reconciliations of its general operating bank account. For example, District personnel had not completed the general operating bank account reconciliation for April 2014 until September 2014 and the May and June 2014 reconciliations until October 2014. District personnel indicated that the untimely reconciliations occurred because the employee responsible for bank account reconciliations was assigned to higher priority tasks. Absent timely bank account reconciliations, the risk increases that errors or fraud could occur and not be promptly detected. A similar finding was noted in the District's 2012-13 fiscal year financial audit report.

Recommendation: The District should enhance its procedures to ensure timely bank account reconciliations, including prompt investigation and resolution of any differences.

Finding No. 2: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as written agreements with financial institutions that contain titles of bank accounts subject to the agreements and the retention of documentation acknowledging each transaction with the financial institution, including the signatures of the initiators and authorizers of EFTs. SBE Rule 6A-1.0012, FAC, also requires the District to maintain documentation in a manner that facilitates easy review and validation of transactions.

Board Policy 5.01(12) requires adequate internal control measures for EFTs and Board Policy 5.01(14) authorizes the use of electronic signatures and the Superintendent to require District personnel who use electronic signatures to comply with State law.

During the 2013-14 fiscal year, the District regularly used EFTs to transfer funds between its bank accounts for direct deposits of employee pay, retirement benefits, and Federal withholding taxes. According to District records, cash and cash equivalents and investments totaling $196.4 million were available for electronic transfer at June 30, 2014. The Board established 15 agreements with different financial institutions to provide various services, such as EFTs. Our test of 25 EFTs totaling $62.3 million disclosed that controls over EFTs could be enhanced, as follows:

- While the District used informal processes, such as use of EFT control documents that identified employees who initiated and authorized EFTs, the Board had not adopted written policies prescribing the accounting and control procedures of EFTs contrary to Section 1010.11 and Chapter 668, Florida Statutes.
- One bank allowed EFTs, after approval by an employee who was not the EFT initiator, to be transferred to accounts other than those identified in the District's authorizing agreement. While the EFTs tested were for appropriate District purposes, 10 EFTs totaling $22.3 million were made to accounts not identified on the authorizing agreement.
- For 14 EFTs tested, one employee initiated and reconciled EFTs to supporting information, without independent review and approval of the EFTs before the EFTs were made and, for 12 of those EFTs, no employee other than the EFT initiator reviewed the bank's electronic confirmation that the EFT had been processed. An appropriate

separation of duties provides that employees with responsibilities for initiating EFTs not also have responsibilities for reviewing and approving EFTs or independently reconciling EFT confirmations to source documentation.

- For one EFT tested, District records did not evidence who initiated or approved the EFT. While the bank responsible for the EFT provided an online 90-day record of EFTs and the District could download these records for retention purposes, the District did not download these records or maintain other records to identify the initiators and approvers of EFTs, contrary to SBE Rule 6A-1.0012, FAC.
- Before initiating EFTs, the authorized user of the banking software generally receives written authorization from District personnel requesting that an EFT be made. However, for 2 EFTs tested, District records did not evidence that written authorization was obtained before initiation of the transactions.
- For 10 EFTs, District records did not evidence supervisory review and approval of the EFTs.

While the District had established certain controls over EFTs, such as independent bank account reconciliations, the lack of specific guidance in the form of written procedures, existence of incompatible duties, insufficient supporting documentation for EFT transactions, and undocumented supervisory review and approval of EFTs, there is an increased risk of misappropriation of funds without timely detection.

Recommendation: The Board should revise its EFT policy to address accounting and control procedures for EFTs. Such procedures should ensure that transfers are made only to accounts listed in the authorizing agreements, duties of initiating and approving EFTs are separated, EFT documentation is maintained to identify EFT initiators and approvers, and documented supervisory review and approval of EFTs.

Restricted Resources

Finding No. 3: Purchasing Card Rebates

The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing payment process. As an incentive, the District receives an annual rebate from the financial institution for the program, with the amounts determined based on the dollar amount of P-card purchases. For the 2013 calendar year, the District had P-card purchases totaling $9,146,612 resulting in receipt of a rebate of $119,399.

The $119,399 rebate received by the District included $38,282 and $22,899 that were generated by purchases using restricted State and Federal moneys in the capital project funds and special revenue funds, respectively. However, the rebates were not allocated to the funds from which the P-card purchases were made. Instead, the $119,399 rebate was recognized as revenue and applied to the General Fund, which is used for general operating purposes.

District personnel indicated that, in their opinion, it would be too time consuming and difficult to track and monitor the funding sources of the rebate. Notwithstanding the District's justification, as certain State and Federal resources are typically restricted by State or Federal law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate funding source, there is an increased risk that rebates generated by restricted sources may be used for purposes inconsistent with the restrictions on these resources.

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

Construction 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 payments, and other construction costs.

During the 2013-14 fiscal year, the Board entered into two project contracts with CMEs totaling $37.1 million. We reviewed one of the two project contracts for a middle school additions and renovations project with payments totaling $4.3 million during the 2013-14 fiscal year. In March 2013, the Board initially entered into a contract with the CME for the project and, in December 2013, the contract was amended to establish a GMP with the CME. Our review disclosed that the District's construction administration procedures could be improved, as discussed in finding Nos. 4 through 8.

Finding No. 4: General Conditions Costs

The contract with the CME used for the middle school additions and renovation project we reviewed included a provision for general conditions costs. General conditions costs for the project totaled $745,384 and included such items as direct and indirect salary costs, travel costs, permitting costs, bonds, and insurance.

The general conditions costs were billed to the District as a percentage of completion as the project progressed. However, the District had not established written policies and procedures addressing the methodology to be applied and factors to be considered during the negotiation process for general conditions costs. Such procedures should include comparing costs to general conditions for similar projects or projects of other school districts, and negotiating a reasonable amount for a total budgeted amount for all general conditions costs. Although requested, we were not provided documentation of the methodology applied and factors considered during the negotiation process for general conditions costs. Absent such documentation, District records did not evidence the District's determination that the general conditions costs were reasonable and appropriate.

Our review of general conditions costs disclosed that payment requests were not accompanied by detailed documentation such as payroll records or paid invoices to support amounts charged. Absent adequate monitoring of charges to general conditions costs, the District may be limited in its ability to determine the propriety of payment requests or to recover cost savings associated with the project, should they occur.

Recommendation: The District should establish written policies and procedures addressing negotiation and monitoring of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general condition costs, and the submittal and review of sufficiently detailed documentation supporting CME payment requests for payment of general conditions costs.

Finding No. 5: Subcontractor Selection

The GMP contract for the middle school additions and renovation project we reviewed required the CME to solicit bids and award subcontracts, as necessary. District personnel indicated that, prior to payment to the CME, the District project coordinators inspected the job sites with the District's architect and CME representatives to determine the status of the projects. However, because of District oversights, District personnel did not attend the subcontractor bid openings or obtain and review subcontractor bids and contracts.

While we were able to determine through a review of the CME's subcontractor selection records that the subcontractors were properly selected, our audit procedures cannot substitute for management's responsibility to monitor the CME subcontractor selection process. Without District procedures to appropriately monitor the subcontractor bid awards, 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.

Recommendation: The District should enhance its monitoring procedures to ensure that subcontractors are competitively selected.

Finding No. 6: Verification of Subcontractor Licensure Status

Chapter 489, Florida Statutes, establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. For the middle school additions and renovation project we reviewed, District personnel indicated that they did not verify that subcontractors were licensed but relied on the CME to verify this information. At our request, District personnel obtained and we confirmed subcontractor licenses from the CME for selected subcontractors. However, without the additional assurance provided by the District's verification of subcontractor licenses, there is an increased risk that subcontractors working on District facilities do not meet the qualifications to perform the work for which they are engaged.

Recommendation: The District should enhance its procedures to monitor verification of subcontractors' licensure status prior to commencement of work on projects.

Finding No. 7: Monitoring Payment Requests

For the middle school additions and renovation project we reviewed, District personnel indicated that upon receipt of payment requests from the CME, District personnel compared line items on the schedule of values to documentation provided, verified mathematical accuracy of the request, and verified prior payments were properly accumulated on payment requests. However, District records did not evidence a comparison of amounts requested for payment on corresponding cost lines on the schedule of values in the corresponding CME contracts to subcontractors' invoices, bids, and other related contracts.

Absent a documented reconciliation of each line in the schedule of values for each payment request to supporting documentation, there is an increased risk that the District may overpay for subcontractor services or may not realize maximum cost savings under GMP contracts.

Recommendation: The District should enhance procedures for monitoring payment requests to require a documented comparison of cost items per CME payment requests to supporting documentation, such as subcontractor invoices, bids, and contract documents, before CME payments are made.

Finding No. 8: Facilities Management

The facilities planning department is responsible for managing construction and renovation projects. During the 2013-14 fiscal year, this department employed 29 full-time employees, including construction and energy efficiency personnel, and the department's operating cost was $3.5 million. The District had expenditures totaling $23.8 million for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 16, 2014, the District planned to spend $189.2 million for capital projects fund construction,

renovation, and maintenance projects over the next five fiscal years. At June 30, 2014, the historical cost of the District's educational and ancillary facilities was $435.2 million and, as shown on the FDOE's Florida Inventory of School Houses data, District facilities had an average age of 37 years.

The facilities maintenance department is responsible for ensuring facilities are safe and suitable for their intended use. The facilities maintenance department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2013-14 fiscal year, this department employed 135 employees, including grounds and maintenance personnel, and the department's operating cost was $10.6 million.

Based on our review of controls over the District's construction and maintenance activities as noted in our report No. 2012-037, we recommended that the District develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations; and develop goals and objectives for the facilities planning and maintenance departments to ensure that facilities are effectively and efficiently constructed and maintained.

The District indicated in its response that the District would undergo a policy development initiative to assure such recommended policies are in place for both maintenance and facilities planning methods and techniques and would develop departmental level goals addressing efficiency and effectiveness. In October 2014, the Board approved policies and procedures for maintenance-related jobs. However, as of October 29, 2014, the District had not developed goals and objectives to address accountability for the facilities planning and maintenance departments. Establishing goals that focus on accountability and measureable objectives and benchmarks could assist the District in determining whether its facilities planning and maintenance departments are operating as effectively and as cost efficiently as possible. A similar finding was noted in our report No. 2012-037.

Recommendation: The District should consider developing goals and objectives for the facilities planning and maintenance departments to ensure that facilities are effectively and efficiently constructed and maintained.

Personnel and Payroll

Finding No. 9: New Hires

Effective controls over hiring new employees include verifying employment history and education of job applicants and maintaining personnel files of completed job applications, college transcripts, letters of reference, and other personnel actions. Also, Board policy provides that an applicant's qualifications may vary from the Board-approved position requirements if approved by the Superintendent and the Board.

During the 2013-14 fiscal year, the District hired six noninstructional administrative and professional employees. Our review of personnel files for these new hires disclosed the following:

- For three new hires, District records did not evidence that the individuals met the education requirements for the positions. One individual possessed a bachelor's degree in history but was hired in a position that required a bachelor's degree in building construction or related field; another individual had a degree in religion but was hired in a position that required a bachelor's degree in business; and the third individual had no college degree but was hired in a position that required a bachelor's degree in computer science or related field. Also, for another new hire, District records did not evidence that the individual met the employment history requirements for the position as the position required a minimum of three years of related experience but the individual only had one year and seven months of experience. In addition, contrary to Board policy, the Superintendent and Board did not approve the qualifications for these four new hires to vary from the position requirements.

- For another new hire, District personnel indicated that they did not confirm the employment history of the individual identified on the application with the individual's former employer because the individual, who requested that District personnel not contact the former employer, had worked as a contractor for the District, and was personally known by District personnel. While the District had contracted with the former employer, District records did not evidence the individual's employment history with the former employer.
- While District records typically evidence a copy of an applicant's college transcripts to support the applicant's education, we noted that, for one new hire tested, the transcript was not in the file and it was not evident whether District personnel verified that the individual received the college degree listed on the employee's application and required for the position.

Without evidence that applicants met the employment history and education requirements or that the Superintendent and Board approved qualifications of applicants that varied from those requirements, the District may hire individuals who are unqualified for their positions. A similar finding was communicated to District management in connection with the District's 2012-13 fiscal year financial audit report.

Recommendation: The District should enhance procedures to ensure that, before applicants are hired, employment history and education are verified and the Superintendent and Board approve qualifications of applicants that vary from Board-approved position requirements.

Finding No. 10: Bus Drivers

SBE Rule 6A-3.0141(4) and (9), FAC, require that the District at least annually ensure that personnel, prior to transporting students on school buses, hold valid commercial driver licenses with passenger and school bus endorsements and be physically capable of operating the vehicles as determined by a physician and documented on a FDOE physical examination form. SBE Rule 6A-3.0141(6), FAC, requires the District to obtain and review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver's history record for school bus drivers prior to initial employment and the first day of the fall semester, and thereafter using automated weekly updates. Pursuant to Section 324.021, Florida Statutes, the FDHSMV suspends the driver licenses of motor vehicle owners if the FDHSMV records do not evidence that the vehicle owner maintained the required insurance coverage.

During the 2013-14 fiscal year, the District employed 306 bus drivers, and District personnel periodically reviewed bus driver history records to determine that bus drivers were appropriately licensed. While District records indicated that monitoring procedures over school bus drivers were generally adequate, our comparison of District records to FDHSMV records for 19 bus drivers disclosed that these procedures could be improved. Specifically, we noted the following:

- One bus driver drove regularly scheduled daily bus routes while the driver's license was suspended from June 17, 2013, to December 11, 2013, for not maintaining and timely submitting a valid FDOE physical examination form. District personnel initially identified the suspension in an August 2013, weekly report but assumed that the suspension had been resolved because they did not notice it on subsequent weekly reports until December 10, 2013. The bus driver subsequently submitted the required form and the license was restored on December 12, 2013.
- Another bus driver drove regularly scheduled daily bus routes while the driver's license was suspended from November 13, 2013, to December 31, 2013, due to FDHSMV's determination that the required insurance was not maintained. The driver became aware of the suspension on December 31, 2013, when registering her medical certificate with the FDHSMV. At that time, the driver provided the FDHSMV with proof of insurance in effect at the time of suspension and the license was restored.
- A third bus driver drove regularly scheduled daily bus routes while the driver's license was suspended from October 7, 2013, to October 10, 2013, due to the FDHSMV's determination that the required insurance was not maintained. The driver subsequently obtained and provided proof of insurance to the FDHSMV and the license was restored on October 11, 2013. District personnel discovered the suspension on October 14, 2013, while reviewing the October 8, 2013, weekly report.

The above deficiencies occurred because District personnel did not always request and review driver history records in a timely manner. To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that District personnel appropriately monitor bus driver history records and ensure the drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure that school bus drivers are appropriately licensed to drive buses.

Finding No. 11: Payroll Processing Procedures

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. During the 2013-14 fiscal year, the District reported salary costs of $24.9 million for noninstructional contracted personnel, such as administrative and professional employees, and $38.7 million for permanent hourly personnel. The District paid these personnel on a payroll by exception basis in which employees receive their regular pay each period unless they use more leave than accumulated, resulting in a reduction to their salary, and hourly employees were paid based on documented work time.

The District maintained time sheets to support the work time and related salary costs for permanent hourly personnel and, to document leave taken, noninstructional contracted personnel prepared and signed leave forms that supervisors reviewed and approved or disapproved. However, the permanent hourly personnel time sheets did not evidence supervisory review and approval or disapproval, and noninstructional contracted personnel did not maintain time sheets or other records to evidence their work time. District personnel indicated that time records, evidencing supervisory review and approval or disapproval, are used only for overtime, extra pay, part-time, temporary employees, and substitutes.

Although our audit tests did not disclose any instances of incorrect salary payments, our procedures cannot substitute for management's responsibility to implement adequate controls. When work attendance is not timely verified of record, the risk increases that employees may be incorrectly compensated and employee leave balances may be inaccurate.

Recommendation: The District should enhance payroll processing procedures to ensure documented supervisory review and approval of noninstructional contracted and permanent hourly personnel work time.

Procurement

Finding No. 12: 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 the various types of potential conflicts of interest are discussed at new employee orientations, District personnel compare potential vendors to the human resources database before approving vendors, and the Purchasing Department investigates self-reported potential conflicts of interest.

The Superintendent, Board members, Assistant Superintendent of Finance and Business Services, Purchasing Director, and Senior Purchasing Agent 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 and consideration 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. 13: Contractual Goods and Services

The District is responsible for establishing controls to provide assurance that the process of contracting for goods and services is effectively and consistently administered. Effective contract management requires monitoring contractor performance and service delivery to ensure compliance with the terms and conditions of the contract, verifying receipt of contract deliverables, and evaluating the achievement of District goals. Effective contract management also requires verification, prior to payment, that contractor-submitted charges are allowable, accurate, and adequately documented.

Pursuant to SBE Rule 6A-1.012, FAC, the District may use prices established by the Division of Purchasing through its State purchasing agreement price schedule. SBE Rule 6A-1.012, FAC, also provides that in lieu of requesting competitive solicitations from three or more sources, the District may make purchases at or below the specified prices from contracts awarded by other governmental entities, including other school districts, when the contract will permit District purchases at the same terms, conditions, and prices (or below such prices) awarded in such contract, and such purchases are to the District's economic advantage.

The Board routinely enters into contracts for goods and services, and internal controls have generally been designed and implemented to ensure that contracts are competitively awarded as appropriate. To determine the propriety of competitive selection of goods and services, we tested 36 purchase orders and contracts, totaling $17.2 million. Also, to determine the propriety of payments for goods and services, we tested 63 payments for purchases, totaling $2.5 million. These tests disclosed improvements were needed, as follows:

- On occasion, the District paid vendors based on bids and related contracts awarded by other governmental entities; however, District records did not always evidence the basis for the prices paid, as follows:
  - District personnel indicated that they used a bid from another school district to purchase instructional materials and equipment, totaling $187,224. While the District obtained a copy of the other school district's bid award tabulation sheets and Board approval, District records did not evidence a copy of the catalog price list used by the other school district that set the bid prices. In addition, the model purchased by the District was not the same model referenced in the bid documents from the other school district.
  - District records indicate that a State contract was used to purchase audio-visual equipment, totaling $111,672, at a discounted catalog price identified in a State bid. However, the District did not request and retain the catalogs in effect at the time the State contract was issued and other District records were not available to evidence that the discounted catalog price identified in a State contract was paid.
- Pursuant to Section 1006.12, Florida Statutes, and Board-approved contracts, the Escambia County Sheriff's Office provided 15 school resource officers (SROs) at various middle and high schools and two sergeants and one lieutenant to oversee the SROs and, for the invoice tested, the District paid $102,262 for the services. The Pensacola Police Department provided five SROs assigned to three schools and one sergeant and, for the invoice tested, the District paid $127,406 for the services. The contracts provided that each SRO be assigned to a school on a full-time (eight-hour) basis on the days that the school was in regular session. The contracts also provided for SRO compensatory time or overtime pay for additional work as needed. However, District personnel with direct knowledge of the SRO services did not maintain SRO sign-in, sign-out sheets or other records to evidence satisfactory receipt of the services, but instead relied on the Sheriff's Office and the Pensacola Police Department to ensure the SROs work the contracted hours.
- The District paid $172,206 for student services to one contractor and a total of $135,671 for professional development services to three other contractors; however, the District did not maintain records to evidence satisfactory receipt of the services because District procedures did not require personnel with direct knowledge of the services to confirm work time of the contractors.

Without evidence that the District paid prices pursuant to the required competitive selection process and absent evidence of satisfactory receipt of services before payments are made, there is an increased risk that the District may not obtain goods at the lowest cost consistent with acceptable quality, the District may overpay for goods or services, or the goods or services obtained may not be consistent with the Board's intent. A similar finding was communicated to District management in connection with the District's 2012-13 fiscal year financial audit report.

Recommendation: The District should enhance procedures to ensure applicable purchases are supported by other governmental entity bids and related contracts and satisfactory receipt of services before payments are made.

Direct-Support Organization

Finding No. 14: Direct-Support Organization Audit

Pursuant to Section 1001.453, Florida Statutes, the Board is authorized to permit a direct-support organization (DSO) to use District property, facilities, and personal services, and each DSO with more than $100,000 in expenditures or expenses must provide for an annual financial audit of its accounts and records. During the 2013-14 fiscal year, the District paid $7,950 for the 2012-13 fiscal year audit of the District's DSO, Escambia County Public Schools Foundation for Excellence, Inc. Such payment was not authorized by Section 1001.453, Florida Statutes, and we are not aware of any other legal authority for the District to pay for expenditures incurred by a DSO. Due to a misunderstanding of the statute, District personnel were unaware that paying for the DSO's audit was not a permitted use.

Recommendation: The District should enhance procedures to ensure compliance with Section 1001.453, Florida Statutes, and seek reimbursement of $7,950 from the Foundation.

Charter Schools

Finding No. 15: Charter School Termination

Section 1002.33(8)(e), Florida Statutes, provides that when a charter school terminates operations, property purchased with public funds must revert to the District. Also, District procedures require that all computers and other tangible personal property valued greater than $1,000 be recorded in the District's property records and that surplus property be Board-approved prior to disposal.

On June 30, 2012, the net value of property owned by the A.A. Dixon Charter School of Arts (charter school), sponsored by the District, was $67,442, and on June 30, 2013, the District terminated the charter school for lack of student progress. Between June 30, 2013, and July 25, 2013, when the District physically obtained possession of the charter school property, the charter school was vandalized and certain property items were stolen. Because the last update charter school personnel made of the school's property records was in January 2012, and District and charter school personnel did not prepare a property list of the charter school property upon transfer of the property to the District, the total property value of items transferred to the District was not readily available and the amount of stolen property could not be determined. Without effective procedures, upon terminations of charter schools, to physically inventory and reconcile property to related records and to account for surplus property, there is an increased risk that the District may not rightfully reclaim assets of terminated charter schools.

Also, District personnel indicated that some of the terminated charter school's property items (25 computers and 2 other property items each valued greater than $1,000) initially transferred to the District were subsequently distributed to other

charter schools. However, contrary to District procedures, the District did not record the property received in the District's property records or obtain Board approval for the property to be surplused and disposed by distributing it to other charter schools. Absent Board approval, there is an increased risk that surplus property may not be distributed consistent with the Board's intent.

Recommendation: The District should establish procedures to ensure, upon terminations of charter schools, that property is appropriately returned to the District and surplus property is Board-approved before disposal of the property.

Adult General Education

Finding No. 16: Workforce Education

Pursuant to Section 1011.80, Florida Statutes, the District receives funding for workforce education programs and is required to use the money to benefit the programs it provides. During the 2013-14 fiscal year, the District's workforce education program revenues totaled $5,953,202. These revenues, when combined with $1,225,613 of unspent workforce education revenues from prior fiscal years, made available $7,178,815 for workforce education program expenditures for the 2013-14 fiscal year.

Workforce education program expenditures totaled $4,427,271 representing 61.7 percent of funds available during the 2013-14 fiscal year. Further, District records indicated that workforce education revenues exceeded expenditures by increasing amounts over the last three fiscal years, with an average accumulation of $951,287 per year. The unencumbered balance carried forward into the 2014-15 fiscal year was $2,751,544. Although the workforce education funds are restricted for adult education purposes and not subject to reversion, carrying forward large balances of such funds into subsequent years does not appear to be consistent with legislative intent for annually funding the adult education program and does not appear to benefit the persons and programs for which the funds were generated.

Recommendation: The Board should develop a spending plan for unspent workforce education program funds to serve as a guide to ensure that these resources will have a direct, positive impact on programs as intended by the Legislature.

Finding No. 17: 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 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. In addition, FDOE procedures for reporting instructional hours stated that a student must have at least 12 hours of instructional activity in a program before the enrollment hours for the student can be reported.

For the 2013-14 fiscal year, the District reported to the FDOE 115,161 instructional contact hours for 1,303 students enrolled in 2,605 adult general education classes. We randomly selected a representative sample of 1,964 hours reported for

30 students enrolled in 55 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed 181 net over-reported hours for 20 students in 35 classes. These misreported hours consisted of 215 hours over-reported for 17 students in 30 classes, ranging from 1 to 41 hours, and 34 hours under-reported for 3 students in 5 classes, ranging from 2 to 15 hours. In response to our inquiries, District personnel indicated that the reporting errors occurred primarily because District personnel recorded incorrect enrollment and withdrawal dates in the student record system. Given the number of 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. A similar finding was noted in our report No. 2012-037.

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 education hours misreported and contact the FDOE for proper resolution.

Virtual Instruction Program

Finding No. 18: 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 enrollment of 1,973 part-time and 263 full-time VIP students. The District's pupil progression plans, code of student conduct, and other records 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.

District personnel indicated that they believed the policies and procedures noted above were sufficient. However, to promote compliance with the VIP statutory requirements, documented policies and procedures could evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. For example, policies and procedures could require school district personnel 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 finding Nos. 19 through 22.

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. 19: 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, the 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 three VIP types for all grade levels within the District's VIP and may not include contracting with the FLVS for direct enrollment by students.

The District provided three options as required for grades 6 through 12; however, from August to December 2013, the District only offered one (instead of three) options for grades kindergarten through 5 and, from January to June 2014, it only offered two options for grades kindergarten through 5. Without offering the required number of options for VIP instruction, there is an increased risk that the District may limit student access to different virtual instruction types, contrary to Section 1002.45, Florida Statutes.

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

Finding No. 20: Written Parental Notification

Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in a VIP. For the 2013-14 school year, District personnel indicated that various communication methods were used to provide information about the District's VIPs to parents and students. Such communication included the District's Web site, oral referrals from the school counselors to the School Choice Office, and written notifications on report cards. However, the District did not notify parents or students that certain options were available, as follows:

- In its provider contract, the District selected a particular curriculum method as one of the programs to be made available to part-time students in grades 6 through 12. However, the District did not include this curriculum method as a separate option in any of the VIP information provided to parents or students. As a result, no students enrolled in this curriculum method.
- Although the District contracted with one provider to provide instruction to students in grades kindergarten through 12 on a full-time and part-time basis, the information provided to students and parents did not include the option to participate in any curriculum except the full-time kindergarten through 5 program. As a result, only full-time students in grades kindergarten through 5 participated in instruction offered by this provider.
- Prior to January 2014, the District offered only two options to students in grades kindergarten through 5. In January 2014, the District contracted with a new provider to provide instruction for grades kindergarten through 8. However, the District did not notify parents or students that a new VIP option was available. As a result, no students participated in instruction offered by this provider.

Failure to notify parents of all available VIP options may potentially result in limited student access to virtual instruction types.

Recommendation: The District should enhance its procedures to ensure that timely, written notifications are provided to parents about all VIP options offered.

Finding No. 21: Provider Background Screenings

Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a condition of approval by the FDOE as a VIP provider in the State. The District's one provider indicated in its assurances to the FDOE during the approval process that lists of provider employees or contracted personnel subjected to the required screening would be provided to the District. While District personnel independently verified the licensure of the VIP provider teachers and related background screenings, the District did not verify background screenings of other VIP personnel or obtain lists of provider employees or contracted personnel subjected to the required screenings.

Absent effective controls to ensure that background screenings of all VIP provider employees and contracted personnel are performed, there is an increased risk that these individuals may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and information technology resources.

Recommendation: The District should ensure that required background screenings are performed for all VIP provider employees and contracted personnel.

Finding No. 22: Computing Resources

Section 1002.45(3)(d), Florida Statutes, requires the District to provide all necessary equipment, such as computers, monitors, and 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.

The District provided computing resources to only 8 of the 263 full-time students enrolled in its VIP for the 2013-14 fiscal year. Our review of District procedures for communicating the availability of, and providing computer resources to VIP students, disclosed that such procedures could be enhanced as follows:

- Applications for participation in the VIP excluded questions regarding household income and ownership of computers, the responses to which could be useful in determining whether applicants might qualify for VIP computing resources.
- The District Web site did not convey information on the availability of computing resources. District personnel indicated that they interviewed students to determine whether they were eligible for computing resources; however, District records did not evidence direct communications with parents or students. Without direct communication of the availability of computing resources to those eligible and documented determinations of whether families had computing resources, students may not be provided the necessary resources to participate in the VIP.

Recommendation: The District should enhance its 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 computing resources.

Information Technology

Finding No. 23: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting 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 helps ensure that employees cannot access or modify IT resources inconsistent with their assigned job responsibilities.

The District implemented a new administrative software suite, including finance and human resources (HR) applications, on July 1, 2012. Our review of selected access privileges to the finance and HR applications disclosed access privileges that were unnecessary or that permitted certain District employees to perform incompatible duties, as follows:

- The Manager of Systems and Communications and Operations, Manager of Network Services, Administrative Assistant for Finance and Business Services, an HR Administrative Specialist, the Director of Accounting, and a Systems Analyst had systemwide privileges that allowed update access to all functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data and security tables.
- Payroll and finance department employees had unnecessary access privileges to HR applications, including 17 employees with privileges to add or modify employee profiles; 13 employees with privileges to add or modify job codes, pay rates, and pay grades; and 3 employees with privileges to add or change an employee's address.
- Two directors in the finance and payroll departments had unnecessary access privileges to add or modify a vendor invoice.

To compensate, in part, for the above deficiencies, the District had certain controls in place (e.g., supervisory monitoring of expenditures and employee activities, supervisory review and approval of transactions, such as journal entries). The District also had written procedures that provided for the review of employee access privileges twice a year; however, a review of employee access privileges had not been performed since the implementation of the administrative software suite.

In response to our inquiry, District management indicated that the District had initiated a procedure to monitor employee access to the HR module. In addition, District management indicated that systemwide access was assigned to facilitate the security administration responsibilities for the first four employees described above. District management additionally indicated that the access of the remaining two employees was under review in an effort to further limit the number of users with systemwide access. Nevertheless, complete update access privileges to all application functions were not necessary for these six employees' day-to-day responsibilities and were contrary to an appropriate separation of duties.

The existence of the inappropriate and unnecessary access privileges described above indicated a need for an improved process for the review of access and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings related to review of employee access privileges were noted in our report Nos. 2009-029 and 2012-037.

Recommendation: The District should improve its review of employee access privileges, including systemwide access privileges within the finance and HR applications, and timely remove or adjust any inappropriate or unnecessary access detected.

Finding No. 24: Security Controls - User Authentication 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 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 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 were communicated to District management in connection with our report Nos. 2009-029 and 2012-037.

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

Finding No. 25: Security Incident Response Plan

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

Although the District had informal procedures for addressing security incidents, the District had not developed a written IT security incident response plan. Such plans could include:

- Definition 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, effective July 1, 2014 (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 could 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. 2012-037.

Recommendation: The District should develop a written IT 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.

Finding No. 26: Security Awareness Training Program

A comprehensive IT security awareness training program apprises new employees of, and reemphasizes to current employees, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records such as student and employee records, back account and credit card numbers, and other records that contain sensitive information are included in the data maintained by the District's IT systems.

Although the District informed new employees of acceptable security practices during orientation and required employees to sign a yearly acknowledgment of the District's security policies, the District had not developed a comprehensive IT security awareness training program to facilitate all employees' ongoing education and training on security responsibilities, including acceptable or prohibited methods for storage and transmission of data, password protection and usage, copyright issues, malicious software and virus threats, workstation controls, and handling of sensitive and confidential information. A comprehensive IT security awareness training program would decrease the risk that District data or IT resources may be unintentionally compromised by employees while performing their assigned duties. Similar findings were noted in our report Nos. 2009-029 and 2012-037.

Recommendation: The District should develop a comprehensive IT security awareness training program.

PRIOR AUDIT FOLLOW-UP

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

	Financial		Operational	
Current Fiscal Year Finding Numbers	**2012-13 Fiscal Year Audit Report and Finding Numbers**	**2011-12 Fiscal Year Audit Report and Finding Numbers**	**2010-11 Fiscal Year Audit Report and Finding Numbers**	**2007-08 Fiscal Year Audit Report and Finding Numbers**
1	CPA Firm, Finding 2013-004	NA	NA	NA
8	NA	NA	Audit Report No. 2012-037, Finding No. 8	NA
9	CPA Firm, Finding 2013-001	NA	NA	NA
13	CPA Firm, Finding 2013-001	NA	NA	NA
17	NA	NA	Audit Report No. 2012-037, Finding No. 6	NA
23	NA	NA	Audit Report No. 2012-037, Finding No. 9	Audit Report No. 2009-029, Finding No. 1
24	NA	NA	Audit Report No. 2012-037, Finding No. 10	Audit Report No. 2009-029, Finding No. 4
25	NA	NA	Audit Report No. 2012-037, Finding No.12	NA
26	NA	NA	Audit Report No. 2012-037, Finding No.13	Audit Report No. 2009-029, Finding No. 10

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 through 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, 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	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.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the District's 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 to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT security awareness training.	Determined whether a comprehensive IT security awareness training program was in place.
IT audit logging and monitoring.	Examined procedures and reports in place related to the capture and review of system activity to determine whether they were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
IT security incident response.	Determined whether the District had developed an adequate written IT security incident response plan.
Board and committee minutes.	Read Board and committee 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.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and other restricted capital project funds were expended in compliance with the restrictions imposed on the use of these resources.
Restrictions on use of Workforce Development funds.	Applied analytical procedures to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Adult general education program enrollment reporting.	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.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the District had provided individuals with a written statement as to the purpose of collecting their social security numbers.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope	Methodology
Statements of financial interest requirements of Section 112.3145(2), Florida Statutes.	Determined whether the District Superintendent, Board members, and certain purchasing agents filed statements of financial interest in accordance with law.
Transparency.	Determined that the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
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.
Budgets.	Determined whether District procedures for preparing their budget were sufficient to ensure that all potential expenditures were budgeted.
Bank account reconciliations.	Reviewed bank account reconciliations and other supporting documentation to determine whether the District timely performed the reconciliations.
Authorized signatures on banking agreements.	Reviewed authorized signatures for all banking agreements for timely changes in response to personnel changes.
Interim financial reports presented to Board.	Reviewed Board minutes and supporting documentation to determine whether required monthly financial statements were presented to the Board timely.
Internal funds audits.	Examined supporting documentation to determine whether required internal funds audits were timely performed pursuant to State Board of Education (SBE) Rule 6A-1.087, Florida Administrative Code (FAC) and whether the audit reports were presented to the Board.
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 and salary schedules.	Examined supporting documentation to determine whether the Board established a document 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 and contractors who had direct contact with students had been subjected to required fingerprinting and background checks.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope	Methodology
Monitoring of employee extra pay claims.	Reviewed extra pay claim procedures and tested extra pay claims to determine the effectiveness of the District's monitoring of employee extra pay claims.
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 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.
Qualifications of newly hired personnel.	Examined supporting documentations to determine whether the District appropriately determined whether newly hired personnel possessed the required qualifications.
Cloud-computing technologies.	Determined whether the service level agreement clearly defined the services provided and the responsibilities for each party with respect to control areas such as operational controls, disaster recovery, backup procedures, program maintenance, access controls, and system software maintenance.
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 and licensure of 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.
Selection process and insurance for architects and engineers.	Tested selected major construction projects to determine whether architects and engineers were properly selected and, where applicable, had evidence of required insurance.
Annual fire safety, casualty safety, and sanitation inspection reports.	Obtained copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports to determine if they were completed as required.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope	Methodology
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, tested former employees to determine whether purchasing cards were timely canceled upon termination of employment.
Rebate revenues.	Determined whether rebate revenues received from the purchasing card program were allocated to the appropriate District funds.
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.
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.
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.
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.
Acquisition of commercial insurance.	Reviewed District methods for acquiring commercial insurance to determine whether the District conformed to good business practice, complied with competitive bid process, and acquired the most advantageous insurance broker services.
Direct-support organization.	Examined District records to determine whether the District transferred any resources to its direct-support organization.
Direct-support organization 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.
Monitoring of charter schools.	Interviewed District personnel and reviewed supporting documentation to determine if the District effectively monitored charter schools.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope	Methodology
Charter school fiscal viability.	Determined whether the District evaluated the charter school application for the fiscal viability of the charter school and the competency of the staff responsible for operating the charter school before the charter was granted using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and SBE Rule 6A-6.0786, FAC.
Charter school termination.	For charter school charters that are not renewed or are 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 or center, 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 the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
Charter school background screening.	Examined District records to determine whether the District verified that its new charter school subjected its employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
Charter school employee training.	Determined whether the District properly monitored its new charter school to evaluate whether charter school employees received the appropriate training pursuant to Section 1002.33(6)(f), Florida Statutes.
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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope	Methodology
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.
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 FDOE-approved contract fees.	Reviewed contract fee provisions, inquired as to how fees were determined, and reviewed payments made by the District to FDOE-approved providers for services rendered.
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 on the District's local instructional improvement system or other technological tools, as required by law.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope	Methodology
Intensive Reading Instruction.	Determined whether the District used supplemental academic instruction and research based reading instruction allocations to provide an additional hour of intensive reading instruction to students every day, school-wide to the applicable schools pursuant to Section 1011.62(9), Florida Statutes. Also, pursuant to the 2013 General Appropriations Act, determined whether the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school.

EXHIBIT B
MANAGEMENT'S RESPONSE

THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

75 NORTH PACE BOULEVARD
PENSACOLA, FL 32505
PHONE 850/432-6121, FAX 850/469-6379
http://www.escambia.k12.fl.us
MALCOLM THOMAS, SUPERINTENDENT

December 17, 2014

Mr. David W. Martin, CPA
Auditor General
7282 Plantation Road, Suite 401
Pensacola, FL 32504

Re: Escambia County District School Board Preliminary and Tentative Audit Findings and Recommendations for the Fiscal Year Ended June 30, 2014

Dear Mr. Martin:

Enclosed is the District's response to the preliminary and tentative audit findings for the fiscal year ended June 30, 2014.

We appreciate the opportunity to respond to each of these findings. After reviewing the response, please advise me if you require any further clarification or action on our part.

In the meantime, we shall look forward to receiving the final audit report when it becomes available.

Sincerely,

Malcolm Thomas

Malcolm Thomas
Superintendent

MT:TSC:dlh

Affirmative action/equal opportunity employer

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

ESCAMBIA COUNTY SCHOOL DISTRICT
RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS

Finding No. 1: Bank Account Reconciliations

The District recognizes the importance of performing timely and accurate bank reconciliation procedures and is in agreement with the auditor's finding. However, in order to meet state financial reporting deadlines for the Annual Financial Report and the Program Cost Report, personnel who normally performed the bank reconciliation process were instead assigned to fiscal year-end financial reporting duties.

Consequently, in order to maintain a consistent bank reconciliation schedule during fiscal year end, the District has assigned a full-time position to this task. The priority for the new position will be a timely and accurate reconciliation process with any other assigned duties considered supplemental in nature.

Finding No. 2: Electronic Funds Transfers

The District recognizes that Electronic Funds Transfer (EFT) policies and procedures could be enhanced. Improvements in policy will address accounting and internal controls in order to properly document the EFT transaction process and provide evidence of appropriate authorization and review. In addition, authorizing agreements will be updated for new accounts and transfers will be made only to those having proper school board approval. Updated procedures to implement policy revisions will be posted to Accounting Operations website for reference and training.

Finding No. 3: Purchasing Card Rebates

The District utilizes a purchasing card (p-card) program that is used in lieu of purchase orders for certain types of purchases. P-cards provide a quicker, less expensive method of procurement due to their convenience and ease of use. P-card rebates are an agreed upon percentage of total dollars spent that are returned to the District by the financial institution on a yearly basis. The District has considered such rebates to be a source of miscellaneous local revenue which is accounted for in the general operating fund.

However, accounting for rebates has risen to a statewide level for which technical guidance supporting the auditors' assertion has been issued. Consequently, the District has contacted the Florida Department of Education concerning such compliance and will devise a method of rebate allocation to the federal programs for which p-card expenditures were charged.

Finding No. 4: General Conditions Costs

The District will establish a Standard Operating Procedure (SOP) to address Construction Management Entity (CME) negotiation and establishment of a scheduled total amount for

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

general conditions costs which will be invoiced in equal monthly amounts across the total construction period.

Finding No. 5: Subcontractor Selection
The District will establish an SOP to address monitoring of the CME subcontractor selection, bidding, and award process. Facilities Planning staff will be involved at each of these stages to monitor competitive selection.

Finding No. 6: Verification of Subcontractor Licensure Status

The District will establish an SOP to address monitoring of the CME subcontractor prequalification process. Facilities Planning staff will review prequalification data including proper licensing of specialty contractors.

Finding No. 7: Monitoring Payment Requests

The District will establish an SOP to address monitoring of the CME applications for payment relative to supporting documented back-up. Documented comparisons will be made at specified stages of completed construction.

Finding No. 8: Facilities Management

The District established SOP 02-06-b8 in October 2014, which addresses performance benchmarking of construction costs/timelines, construction methods/practices, construction delivery options, energy efficiency, and maintenance cost.

Finding No. 9: New Hires

The District's Human Resources Services Department has amended the Administrative, Professional, and Instructional Personnel Interview Checklist document to include two new areas to ensure compliance in this area. The Interview Checklist will include evidence that:

- Applicant selected for position met all qualifications as outlined in job description.
- Applicant selected for position did not meet all qualifications outlined in job description and is being recommended for the position under "qualifications may vary."
- Individuals hired under "qualifications may vary" will be submitted to the Superintendent with a full explanation and supporting documentation will be provided to the School Board.

Finding No. 10: Bus Drivers

The District reviews Motor Vehicle Reports (MVRs) on a weekly basis and considers its monitoring procedures to be aggressive and proactive. However, there are inherent issues with the timeliness of MVR reports which may not always provide the District with a comprehensive report regarding the status of drivers' licenses they manage.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

In order to compensate for any timing differences between the District's review and state MVRs, the District created an SOP as a fail-safe mechanism to protect the District against failures of the state's MVR system to adequately identify drivers' license concerns in a timely fashion.

Finding No. 11: Payroll Processing Procedures

District management evaluated the risk of payroll by exception and implemented compensating controls to enhance detection of errors and omissions. For certain types of employees paid without paper timesheets these controls included development of an alternate review process with an established deadline prior to payroll processing in order to detect employee compensation and leave exceptions.

Furthermore, the District acquired a Time and Attendance system of accountability when the Payroll software system was purchased. The District will evaluate implementation of the module at a future date to enhance the accountability and control of employee compensation and leave benefits.

Finding No. 12: Purchasing Procedures

The District's Purchasing Department, as a matter of current procedure, provides for a reasonable review of potential conflicts of interest prior to approving new vendors. The auditors' recommendation, however, concerning the Purchasing Department's review of financial disclosures of elected officials will be evaluated and a process will be implemented to provide a review of financial disclosures that will not place responsibility on a single department but will provide for a higher level of review.

Finding No. 13: Contractual Goods and Services

The District will enhance purchasing procedures concerning adequate documentation to support prices paid for the various purchasing transactions. In addition, training opportunities with District purchasing agents will be held on regular intervals to reinforce proper practices and to introduce new rules and statutes.

Furthermore, administration and management of contracts are typically separate in that contract administration (evaluation and awarding of bids, RFPs, etc.) resides within the Purchasing Department while contract management is the responsibility of the using department and provides for the day-to-day operation of the contract (placing orders, invoicing and payment, monitoring performance, etc.).

In an effort to assist contract managers, a purchasing procedural document will be created which outlines matters of responsibility and will be posted online and distributed with each copy of a contract supplied to end users.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 14: Direct Support Organization Audit

The District has had discussions with the Board of the Escambia County Public Schools Foundation for Excellence, Inc., concerning compliance with statutory requirements. The Foundation Board was informed and agreed that District payment of audit fees would no longer be allowed. The District has decided in the best interest of each party not to seek reimbursement from the prior fiscal year.

Finding No. 15: Charter School Termination

The District will enhance procedures to ensure that property purchased or loaned to charter schools is properly accounted for in the property records and that upon termination of any charter school such property is returned to the District in a complete and timely manner.

Finding No. 16: Workforce Education

The District recognizes that excess Workforce Education funds have accumulated over the prior fiscal year due to the recent elimination of certain programs and their associated costs. In accordance with legislative intent, the District has developed a spending plan for the surplus that will cover a three-year period beginning with the 2014-15 fiscal year. These nonrecurring funds will be utilized to make necessary equipment and other related purchases that are consistent with their intended use. In addition, the plan addresses the level of new revenue with recurring expenditures in order to better appropriate the fiscal year needs of staffing and other operating costs.

Finding No. 17: Adult General Education Classes

Standard operating procedures have been written that reflect reporting protocol in the District's new Student Information System, FOCUS. On a weekly basis, the Adult Education Data Specialist now runs a FOCUS report that compares the student's enrollment date to the student's actual first day of attendance. When there is a discrepancy, the student's schedule is adjusted to reflect the start date as the first day of attendance for the purpose of calculating instructional hours. Increased controls over instructional hour reporting have been implemented by creating a FOCUS report to identify students whose withdrawal date requires adjustment to reflect the day after the last day of attendance as the withdrawal date. This report is also run weekly, as a responsibility of the Adult Education Data Specialist. The Workforce Education Department contacted FDOE for direction on proper resolution of the misreported hours, and we have been directed to examine our 2013-14 data to determine the extent to which instructional hour over and underreporting occurred. Once that determination is made, we will contact FDOE with the results and seek further direction on resolution.

Finding No. 18: Virtual Instruction Program (VIP) Policies and Procedures

The District was made aware that a policies and procedures manual was recommended for virtual instruction programs in the Spring of 2014. Staff is in the process of developing a VIP manual with an anticipated completion date of February 2015.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 19: Virtual Instruction Options

The District will review its VIP options and make certain that it provides for at least the minimum number of options to all grade levels as required by law.

Finding No. 20: VIP Written Parental Notification

The District will notify parents and students of all VIP options via the semester and end-of-year report cards, the District website, School Messenger call-outs, etc. The District will enhance its procedures to ensure that timely, written notifications are provided to parents about all VIP options offered.

Finding No. 21: VIP Provider Background Screenings

The background screenings are processed and recorded in Orange County. The District requested documentation that was provided to the auditor and will ensure future reports are requested and kept on file within the VIP office.

Finding No. 22: VIP Computing Resources

The District has developed a form for qualifying and providing computing resources to students that participate in District virtual programs. The lead teacher will process these requests and keep them on file in the School Choice office.

Finding No. 23: Information Technology (IT) Access Privileges

The District will improve its review of employee access privileges, including system-wide access privileges within the finance and HR applications, and remove or adjust any inappropriate or unnecessary access detected. The District will perform a review of employee access privileges once during the 2014 – 2015 school year and document the results of the review. Beginning in the 2015 – 2016 school year, the District will follow the written procedure to conduct the review twice a year and document the results of each review. The District will immediately reduce the six users with system-wide access to one IT staff member responsible for system-wide security administration. All other system-wide users will be limited to finance, HR, or product setup as needed.

Finding No. 24: IT Security Controls – User Authentication and Monitoring of System Activity

The District will improve IT security controls related to user authentication and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of District data and IT resources. The District will implement the strategies discussed with appropriate District management by July, 2015.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 25: IT Security Incident Response Plan

The District will develop a written IT 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. The plan will include:

- Definition of computer security incidents and an established process that is consistent with existing processes 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 following established procedures for involving the appropriate local, State, and Federal authorities; and
- An established process, pursuant to Section 501.171, Florida Statutes, effective July 1, 2014 (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.

The IT security incident response plan will be developed in the spring of 2015 and publicized to District leadership in the summer of 2015.

Finding No. 26: IT Security Awareness Training Program

The District will develop a comprehensive IT security awareness training program. The IT security awareness training program will be reviewed by staff from all divisions with responsibilities for finance, human resource, and student information to ensure that it meets the needs of all users. The program will be implemented by the end of the 2015 – 2016 school year.