REPORT NO. 2015-076
DECEMBER 2014

INDIAN RIVER 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.
Karen Disney-Brombach	1
Jeffrey Pegler to 7-25-13 (1)	2
Dale Simchick from 11-19-13	2
Matthew McCain, Vice Chair from 11-19-13	3
Carol Johnson, Chair	4
Claudia Jimenez, Vice Chair to 11-18-13	5

Frances J. Adams, Ed.D., Superintendent

Note: (1) Board member resigned on July 26, 2013, and position remained vacant until replaced on November 19, 2013.

The audit team leader was Bevohn T. Dougall, CPA, and the audit was supervised by Tim L. Tucker, CPA. For the information technology portion of this audit, the audit team leader was Deena Warren, and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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

INDIAN RIVER COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: The District needed to strengthen its controls to ensure timely background rescreenings for instructional and noninstructional employees, and appropriate evaluation of backgrounds of job applicants and employees.

Finding No. 2: Enhancements could be made to ensure that terminated employees and their dependents are timely removed from the District's health insurance program.

ADULT GENERAL EDUCATION

Finding No. 3: The Board had not adopted a plan for the use of unspent workforce education funds accumulated over several years.

Finding No. 4: Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

PROCUREMENT

Finding No. 5: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 6: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing comprehensive, written procedures.

Finding No. 7: VIP provider contracts did not include certain provisions required by State law.

Finding No. 8: The District could enhance its procedures to ensure that the required number of VIP options is offered.

Finding No. 9: District records did not evidence that required background screenings were performed for VIP provider employees and contracted personnel.

Finding No. 10: District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

BACKGROUND

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

During the 2013-14 fiscal year, the District operated 25 elementary, middle, high, and specialized schools; sponsored five charter schools; and reported 17,603 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

Personnel and Payroll

Finding No. 1: Background Screenings

Section 1012.315, Florida Statutes, disqualifies persons from District employment in any position that will have direct contact with students, if the person has been convicted of certain felony offenses such as aggravated battery, sale/buy/delivery of drugs within 1,000 feet of a school, and other offenses. Also, Sections 1012.56(10), and 1012.465(2), Florida Statutes, require that instructional personnel, and noninstructional personnel who have direct contact with students, undergo required background rescreenings every five years following the initial screening upon employment. During the 2013-14 fiscal year, the District had 1,186 and 747 instructional and noninstructional personnel, respectively.

Human resource department personnel are responsible for assessing whether job applicants possess appropriate backgrounds for District employment and ensuring personnel are timely rescreened as required. Our review of District records to determine whether instructional and noninstructional personnel were timely rescreened as required disclosed the following:

- Our test of District records for 30 instructional and noninstructional employees disclosed 2 noninstructional employees, who had direct contact with students, did not have backgrounds appropriate for such contact, contrary to Section 1012.315, Florida Statutes. These 2 employees included one hired during the 2013-14 fiscal year and convicted of aggravated battery in calendar year 1993, and another with five years of District experience and convicted of felony sale/buy/delivery of drugs within 1,000 feet of a school in calendar year 1992. District personnel indicated that human resources department personnel misinterpreted the law and will be retrained, and all personnel would be reevaluated to assess whether they have appropriate backgrounds for District employment. As of October 2014, the District continued to employ the 2 noninstructional personnel ineligible for employment.
- Our test of District records for 16 of 68 instructional and noninstructional employees required to obtain background rescreenings during the 2013-14 fiscal year disclosed that 5 of these employees had not been rescreened as of the time of our review in June 2014 because of District oversights. Subsequent to our inquiry, the District rescreened these employees, from 254 to 1,028 days late, and none had inappropriate backgrounds.

Absent appropriate evaluation of job applicant and employee backgrounds and timely background rescreenings, there is an increased risk that personnel with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should enhance its procedures to ensure that backgrounds of job applicants are appropriately evaluated for District employment and the District only employs individuals eligible for employment. The District should also ensure that required background rescreenings are timely performed for all employees.

Finding No. 2: Health Insurance – Participant Eligibility

The District's self-insurance program provides health and prescription coverage for eligible participants including employees, retired former employees, and eligible dependents. Pursuant to Section 1011.18(6), Florida Statutes, the

District contracted with a third party administrator (TPA) to administer its health and prescription coverage plan and process, investigate, and pay claims. During the 2013-14 fiscal year, the District reported health insurance program expenses totaling $18.4 million, including claims expenses of $14.1 million, premium expenses of $2.8 million, and other expenses totaling $1.5 million.

The District's risk management department is responsible for adding and deleting health insurance program participants. District procedures require that terminated employees and their eligible dependents be removed from the program within the month they terminate employment; however, our review disclosed certain ineligible program participants as follows:

- Our test of 20 employees who terminated District employment during the 2013-14 fiscal year disclosed 14 former employees who continued to participate in the program after their termination dates. We expanded our procedures and compared a list of current employees to program participants and identified an additional 33 former employees who were ineligible program participants, including some that continued to participate since being terminated during the 2010-11 fiscal year.
- We also reviewed dependent health insurance program participants and identified three ineligible dependents that exceeded the program eligibility age. District personnel indicated that these errors occurred because the District inadvertently misclassified the three dependents as incapacitated.

Subsequent to our inquiries, the District removed the ineligible participants from the program in June 2014. Because of the ineligible participants, the District incurred excessive TPA claims and premium costs totaling $21,412 and $1,919, respectively.

While District personnel tested claims expense by reviewing supporting documentation of selected claims, controls could be enhanced to ensure the eligibility of program participants. Absent such controls, there is an increased risk that the District may incur excessive claim and premium costs of ineligible health insurance program participants.

Recommendation: The District should enhance its controls to ensure eligibility of health insurance program participants. Such procedures could include comparisons of current employees to program participants and evaluations of dependents participating in the program to ensure the participants are eligible for the insurance. The District should also seek reimbursement for the excess claim and premium costs totaling $21,412 and $1,919, respectively.

Adult General Education

Finding No. 3: Workforce Education Program

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 $1,399,119. These revenues, when combined with $2,041,676 of unspent workforce education revenues from prior fiscal years, made available $3,440,795 for workforce education program expenditures during the 2013-14 fiscal year.

Workforce education program expenditures totaled $1,464,327, representing 42.5 percent of that available during the 2013-14 fiscal year. The unencumbered balance carried forward into the 2014-15 fiscal year was $1,976,468. 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 these programs as intended by the Legislature.

Finding No. 4: 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 Florida Department of Education (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.

For the 2013-14 fiscal year, the District reported to the FDOE 49,113 instructional contact hours for 652 students enrolled in 24 adult general education classes at three adult education centers. We randomly selected a representative sample of 2,464 hours reported for 30 students enrolled in 9 adult general education classes to test the accuracy of the District's reporting procedures. Our test disclosed 639 hours over-reported for 11 students enrolled in 9 classes, and District personnel indicated that the reporting errors occurred mainly because of a programming error. 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. 2014-067.

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

Procurement

Finding No. 5: 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 standard bid forms and request for qualifications require vendors to notify the District of conflicts of interest.

The Superintendent, Board members, Chief Financial Officer, Purchasing Director, and other District personnel including school principals and other directors were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. While statements of financial interests were filed with the appropriate agency as required, the Purchasing Department did not review the statements. Providing for routine review and consideration

of required statements of financial interest 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.

***Follow-up to Management's Response*:**

The District indicates in its response that it does not concur with this finding, that there is no requirement in the law for statements of financial interests to be submitted to the District's Purchasing Department, and that the District has sufficient controls to detect any conflicts of interests. The point of our finding is that providing for routine review and consideration of required statements of financial interests by the Purchasing Department would enhance the District's procurement practices.

Virtual Instruction Program

Finding No. 6: 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 242 part-time VIP students. The Board adopted a policy that identified VIP options for students, student eligibility, and open enrollment periods and the District had written procedures addressing student progression requirements, attendance, mandated testing, and other procedures related to the VIP. However, the policies and procedures could be expanded to include more detailed instructions for personnel responsible for administering the VIP, as well as procedures for other VIP statutory requirements, such as provider contracts, required written notices, instructional materials, and computing resources. The policies and procedures could also be expanded to provide guidance on monitoring VIP teacher qualifications and certifications. For example, policies and procedures could require District personnel to confirm Florida teaching certificates with the FDOE and 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 District noncompliance and control deficiencies identified in Finding Nos. 7 through 10.

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. 7: Provider Contracts

Section 1002.45(4), Florida Statutes, requires that each contract with a FDOE-approved VIP provider contain certain provisions. While the District entered into contracts with three FDOE-approved providers, the contracts contained deficiencies and lacked some statutorily required provisions. District personnel indicated that they were unaware the contracts needed to include the following provisions:

- One contract lacked a provision requiring the provider to utilize only teachers certified to teach in Florida. Section 1002.45(2)(a)3., Florida Statutes, requires all instructional personnel of District-approved VIP providers to be Florida-certified teachers under Chapter 1012, Florida Statutes. The inclusion of such a provision could help ensure that students receive the level of educational instruction intended by statute. District procedures did not require confirmation, and the District did not obtain confirmation that the VIP provider's teachers were certified. Under these conditions, there is an increased risk that VIP provider teachers may not be Florida-certified teachers.
- None of the contracts included an agreed-upon student-teacher ratio. This is contrary to Section 1002.45(2)(a)8., Florida Statutes, which requires that FDOE-approved VIP providers publish student-teacher ratios and other instructional information in all contracts negotiated pursuant to Section 1002.45, Florida Statutes. Further, the District did not establish a student-teacher ratio threshold for the contracted VIP classes to allow for evaluations of the reasonableness of such ratios. Without establishing such ratios or ratio thresholds in the contracts or documenting evaluations of the reasonableness of the ratios, the number of students in the VIP classes may exceed the District's expectation and the District's abilities to monitor the quality of the provider's virtual instruction may be limited.
- None of the contracts provided for the District to monitor the provider's compliance with contract terms or quality of the virtual instruction. Without such provisions, the District may be limited in its ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records.
- One contract did not contain requirements for the provider to implement, maintain, and use appropriate, administrative, technical, or physical security measures to the full extent required by Title 20, Section 1232g, United States Code, The Family Educational Rights and Privacy Act, to maintain the confidentiality of education records and did not specify any minimum required security controls that the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive education data. Without specifying minimum required security controls, there is an increased risk that deficiencies in information security and other information technology (IT) controls may occur.
- None of the contracts included provisions for data quality requirements. The District's VIP providers maintain significant amounts of educational data used to support the administration of the VIP and to meet District reporting needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be available in a timely manner. Inclusion of data quality requirements in provider contracts would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to providers.

Recommendation: The District should ensure that statutorily required and other necessary provisions are included in contracts with FDOE-approved VIP providers.

Finding No. 8: Virtual Instruction Options

Section 1002.45(1)(b), Florida Statutes, requires school districts, under certain conditions, to provide students the option of participating in VIPs. For example, students may choose VIP services provided by the school district, Florida Virtual School, 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.

The District provided students the opportunity to participate in virtual instruction. However, the District did not provide all students at least three options, contrary to Section 1002.45(1)(b), Florida Statutes, and thus limited student access to the different virtual instruction types. Although full-time and part-time types were provided for grades 9 through 12, only two virtual school options were offered. District personnel indicated that they were unaware that at least three options are required for each grade level.

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

Finding No. 9: 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 three providers indicated in their 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; however, the District did not obtain such a list from its VIP providers. District personnel indicated that they relied on the contracted VIP providers to background screen employees and contracted personnel.

As similarly discussed in Finding No. 1 for background screenings of instructional and noninstructional contractors, without effective controls to ensure that background screenings of 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 IT resources.

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

Finding No. 10: 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. Further, Section 1002.45(1)(b), Florida Statutes, requires all school districts to provide parents with timely, written notification of the open enrollment periods for VIPs.

For the 2013-14 fiscal year, District personnel indicated there were several communication methods used to provide information about the District's VIP to parents and students. Such communication included the student progression plan, the District's television channel, the District's Web site, and information via the telephone if the parent inquires. While these methods indicate efforts by District personnel to communicate with parents and students about VIP options, District records did not evidence that written notifications were provided directly to parents of students regarding the VIP and associated open enrollment periods.

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

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2014-067, except that finding No. 4 was also noted in prior audit report No. 2014-067 as finding No. 2.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from March 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.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-067.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of

the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2013-14 fiscal year and selected actions taken subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

AUTHORITY

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

David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) access privileges and separation of duties.	Tested selected access privileges over the database and finance and human resources applications to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their access privileges had been timely deactivated.
IT logical access controls and user authentication.	Reviewed selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
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 Public Education Capital Outlay funds, were expended in compliance with the restrictions imposed on the use of these resources.
Restrictions on use of Workforce Development funds.	Reviewed District records and 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) and whether the Board approved plans to utilize unspent funds, if any.
Accumulation of State appropriation of Workforce Development funds.	Determined whether the Board adopted a spending plan for unspent Workforce Development funds.
Adult general education program enrollment reporting.	Tested a representative sample of 30 students from the population of students in adult general education to verify whether the District reported instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	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 whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board established a documented process and adopted a salary schedule to ensure that differentiated pay of instructional personnel and school administrators is based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Background screenings.	Determined, on a test basis, whether personnel who had direct contact with students had been subjected to required fingerprinting and background checks.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
Eligibility for health insurance benefits.	Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the District had procedures for reconciling health insurance costs to employee, retiree and Board-approved contributions.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid District purposes. Also, determined whether such payments were contrary to Section 112.313, Florida Statutes.
Purchase of software applications.	Determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Related-party transactions.	Reviewed District policies and procedures related to identifying potential conflicts of interest. For selected District employees, reviewed Department of State, Division of Corporation, records; statements of financial interest; and District records to identify any potential relationships that represent a conflict of interest with vendors used by the District.
Dual enrollment program.	Reviewed District policies and procedures related to the dual enrollment program. 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.
Direct-support organizations and charter school audits.	Determined whether audits of the District's direct-support organization and charter schools were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
Virtual instruction program (VIP) policies and procedures.	Determined whether the District had 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 VIPs as well as timely written notification of VIP enrollment periods.
VIP fees.	Reviewed District accounting records to ensure that the District refrained from assessing registration or tuition fees for participation in the VIP.
VIP Sunshine State Standards.	Reviewed records to determine whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study.
VIP instructional materials and computing resources.	Reviewed student records and determined whether the District ensured that VIP students were provided with all necessary instructional materials and computing resources necessary for program participation for those eligible students that did not already have such resources in their home.
VIP background screenings.	For District-contracted FDOE-approved VIP providers, determined whether the District obtained evidence that all provider employees and contracted personnel were subjected to background screenings in accordance with Section 1002.45(2)(a)3., Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT B
MANAGEMENT'S RESPONSE

School District of Indian River County

1990 25th Street • Vero Beach, Florida, 32960-3395 • Telephone: 772-564-3000 • Fax: 772-569-0424

Frances J. Adams, Ed.D. - Superintendent

December 15, 2014

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

Dear Mr. Martin:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Indian River County, as a result of the audit for the fiscal year ended June 30, 2014. Following are the responses, as submitted by the appropriate staff:

Finding No. 1: Background Screenings

The District concurs with the auditor's finding and recommendation and will enhance our procedures to ensure that the backgrounds of job applicants are appropriately evaluated for District employment and that the District only employs individuals eligible for employment. As pointed out by the auditor, the District misinterpreted the law regarding candidates for employment for whom "adjudication was withheld" or pleaded "no contest." Personnel records for all employees hired between August 2013 and April 2014 are undergoing legal review for any ineligible employees, after which, determinations will be made as to their employment status with the District. We are also in the process of enhancing our procedures to ensure that required background screenings are timely performed for all employees.

Finding No. 2: Health Insurance Program – Participant Eligibility

The District concurs with the auditor's finding and recommendation and will enhance our procedures to ensure eligibility of health insurance program participants. Our expanded procedures will include a comparison of current employees to program participants and an evaluation of dependents participating in the program to ensure that participants are eligible for the insurance.

Finding No. 3: Workforce Education Program

The District concurs with the auditor's finding and subsequent recommendation for the School Board to continue to work on a spending plan for unspent workforce education funds.

"Educate and inspire every student to be successful"

Shawn R. Frost District 1 • Dale Simchick District 2 • Matthew McCain District 3 • Charles G. Searcy District 4 • Claudia Jiménez District 5

"To serve all students with excellence"
Equal Opportunity Educator and Employer

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

We are always willing to expand our efforts to survey our business community as to their needs for workforce ready job candidates in an effort to increase program offerings.

As management that oversees the proper stewardship of these funds, the District currently surveys several businesses such as, Piper Aircraft Inc. and community partners such as, Vero Beach Chamber of Commerce, on how best we can respond to demand for job ready candidates, and as recently as March 2014, expanded our program offerings to include a welding program. This addition was based on the demands of the marketplace, research, response to businesses within our community, cost effectiveness, job placement, and industry placement based on credentialing.

Another major factor impacting the District's ability in accessing these funds is the 2013-2014 General Appropriations Act (GAA). HB 5001 prohibits funds from being used to support K-12 administrative indirect costs. However, new information provided by the Auditor General's office through the FL DOE may allow the District to reimburse itself for approximately $155,000 per year in indirect costs. On July 7, 2014, the District was advised by the Florida Department of Education that it was not appropriate to charge the workforce education program any rent, despite the program occupying approximately 26,284 square feet of space in several of our facilities.

Finding No. 4: Adult General Classes

The District concurs with the auditor's finding and recommendation that the District should strengthen its controls to ensure accurate reporting of instructional contact hours for adult general classes to the Florida Department of Education. As pointed out by the auditor, the District responded that the reporting errors were caused by a programming error in the software used to report the instructional contact hours. As a result, new software that has the capability to ensure accurate reporting of instructional contact hours to the Florida Department of Education has been procured by the District and, as such, do not expect a repeat of this finding.

Finding No. 5: Procurement

The District **does not** concur with the auditor's finding that specified District personnel failed to provide to the Purchasing Department a copy of the Statement of Financial Interests required by § 112.3145 Florida Statutes and subsequent recommendation that copies of these filings be provided to the Purchasing Department for review. In fact, that the law specifies in § 112.3145(2)(c) that *"Local officers shall file their statements of financial interests with the supervisor of elections of the county in which they permanently Reside."* It is unequivocally and abundantly clear that there is no requirement in the law for the Superintendent, Chief Financial Officer, Purchasing Director, and other school principals and other directors, per the auditor's finding, to submit their statement of financial interests to the local school board's purchasing department for any kind of review. The School Board Policy 3129 – **"Conflict of Interest"** - prohibits any employee from engaging in or have a financial interest, directly or indirectly, in any activity that conflicts with the employee's job duties and responsibilities in the school system. In addition, as discussed in the Audit Report, the District has mechanisms in place in our bid documents that require all vendors to disclose any conflicts of interest, which enforces the referenced Board policy. We, therefore, feel that we have sufficient controls in place to detect any conflicts of interest and therefore take exception to this finding and reject it in its totality, as not only is it unwarranted and unnecessary, not required by law, and impractical to administer but distracts the school district from its primary mission of providing our students a first class education.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 6: Virtual Instruction Program - Policies and Procedures
The District concurs with the auditor's finding and recommendation. The District is in the process of expanding its policies and procedures to include more detailed instructions for personnel responsible for administering the Virtual Instruction Program (VIP), as well as procedures for other VIP statutory requirements, such as provider contracts, required written notices, instructional materials, and computing resources. The District is also in the process of expanding procedures to provide guidance on monitoring VIP teacher qualifications and certifications.

Finding No. 7: Virtual Instruction Program - Provider contracts
The District concurs with the auditor's finding and recommendation and will ensure that future contracts with Florida Department of Education approved Virtual Instruction Program providers contain provisions as required by law.

Finding No. 8: Virtual Instruction Program - Instruction options
The District concurs with the auditor's finding and recommendation and will ensure that the minimum number of Virtual Instruction Program options, as required by law, are offered to all grade levels of students, as required by law.

Finding No. 9: Virtual Instruction Program - Provider background screenings
The District concurs with the auditor's finding and recommendation and will ensure that the required background screenings are performed for all Virtual Instruction Program provider employees and contracted personnel.

Finding No. 10: Virtual Instruction Program - Written Parental Notification
The District concurs with the auditor's finding and recommendation and will enhance its procedures to ensure that records are maintained evidencing timely written notification to parents about student opportunities to participate in the District's Virtual Instruction Program and open enrollment dates.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office, if you have any questions concerning this matter.

Sincerely,

Frances J. Adams, Ed.D.
Superintendent

c School Board Members
Superintendent's Leadership Council