REPORT NO. 2015-089
JANUARY 2015

MIAMI-DADE 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 from July 1, 2012 through February 28, 2014, are listed below:

	District No.
Dr. Wilbert "Tee" Holloway	1
Dr. Dorothy Bendross-Mindingall	2
Dr. Martin S. Karp, Vice Chair from 11-20-12 to 11-18-13	3
Ms. Perla Tabares Hantman, Chair	4
Mr. Renier Diaz de la Portilla to 11-19-12	5
Ms. Susie V. Castillo from 11-20-12	5
Ms. Raquel A. Regalado	6
Mr. Carlos L. Curbelo	7
Dr. Martha Perez	8
Dr. Lawrence S. Feldman, Vice Chair to 11-19-12 and from 11-19-13	9

Mr. Alberto M. Carvalho, Superintendent

The audit team leader was Ramon L. Bover, and the audit was supervised by Hector J. Quevedo, CPA. For the information technology portion of this audit, the audit team leader was Vikki S. 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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MIAMI-DADE COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

TRANSPARENCY

Finding No. 1: The District did not timely and prominently post the required official budget information for the 2012-13 and 2013-14 fiscal years on its Web site.

RESTRICTED RESOURCES

Finding No. 2: District records did not evidence that fuel tax refunds were used for authorized purposes.

Finding No. 3: The District did not allocate e-Payable and purchasing card (P-card) program rebates generated by restricted resources to appropriate District funds.

FACILITY SAFETY

Finding No. 4: We noted 358 deficiencies or facility maintenance needs for four schools that remained unresolved for two or more years after the date the facility safety inspections were performed.

PERSONNEL AND PAYROLL

Finding No. 5: The Superintendent's employment agreement included a severance pay provision that did not appear to be consistent with Section 215.425(4)(a), Florida Statutes.

PROCUREMENT

Finding No. 6: The District's P-card procedures could be improved.

Finding No. 7: Procurement procedures could be enhanced to provide for routine review of employee certifications of compliance with the conflicts of interest policy and required statements of financial interests for consideration in making procurement decisions.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 8: District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's virtual instructional program (VIP) and open enrollment period dates.

Finding No. 9: The District could enhance procedures to ensure that the required number of VIP options is offered.

FOOD SERVICE RECORDS MANAGEMENT

Finding No. 10: The District's monitoring of purchased food cost per meal could be improved.

MOTOR VEHICLES

Finding No. 11: The District needed to enhance its motor vehicle fuel efficiency monitoring procedures.

INFORMATION TECHNOLOGY

Finding No. 12: The District lacked written policies and procedures for the management of information technology (IT) access privileges and data restoration.

Finding No. 13: Some inappropriate or unnecessary IT access privileges existed.

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

Finding No. 15: District IT security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement.

BACKGROUND

The Miami-Dade 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 Miami-Dade County. The governing body of the District is the Miami-Dade County District School Board (Board), which is composed of nine elected members. The appointed Superintendent of Schools is the executive officer of the Board.

During the 2012-13 fiscal year, the District operated 348 elementary, middle, high, and specialized schools; sponsored 120 charter schools; and reported 350,817 unweighted full-time equivalent students.

The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2013, were presented in our audit report No. 2014-146.

FINDINGS AND RECOMMENDATIONS

Transparency

Finding No. 1: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

For the 2012-13 and 2013-14 fiscal years, the District prominently posted on its Web site tentative budgets, which were consistent with the respective fiscal year proposed budgets, and the tentative/proposed budgets were understandable and readily accessible to the public. In September 2012 and September 2013, the Board approved the 2012-13 and 2013-14 fiscal year official budgets, respectively, which provided millage levies, estimated revenues, and projected expenditures. The District disclosed Board actions, such as the Board-adopted official budgets, in the Board minutes included on the District's Web site; however, the official budget information was not prominently posted or readily accessible to the public on the Web site, given the volume of information contained in the Board minutes.

District personnel initially indicated that each fiscal year's respective tentative/proposed and official budget information was relatively comparable, reducing the need to separately disclose the official budgets. While the tentative and proposed budget information was consistent, the official budget total estimated revenues and other sources and total projected expenditures information significantly exceeded the tentative/proposed budget information as follows:

- The Debt Service Funds 2012-13 fiscal year official budget total estimated revenues and other sources, and projected expenditures, exceeded the tentative/proposed budget total estimated revenues and other sources, and projected expenditures, by $188.7 million and $190.3 million or 58 and 79.5 percent, respectively.
- The Special Revenue Funds 2012-13 fiscal year official budget total estimated revenues and other sources, and projected expenditures, exceeded the tentative/proposed budget total estimated revenues and other sources, and projected expenditures, by $56 million and $54.8 million or 12 and 11.9 percent, respectively.

- The Capital Project Funds 2013-14 fiscal year official budget total estimated revenues and other sources, and projected expenditures, exceeded the tentative/proposed budget total estimated revenues and other sources, and projected expenditures, by $168.2 million and $152 million or 21.4 and 35.1 percent, respectively.

Subsequent to our inquiries in July 2014, the District posted the 2012-13 and 2013-14 fiscal year official budgets to its Web site. Providing for the required budgetary transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should continue its efforts to ensure that official budgets are timely and prominently posted on its Web site.

Restricted Resources

Finding No. 2: Fuel Tax Refunds

Section 206.41(4)(e)1., Florida Statutes, provides that a portion of the sales tax paid by the District on fuel used in a District vehicle be returned to the District. Pursuant to Section 206.41(4)(e)2., Florida Statutes, the District must use the fuel tax refunds to fund District construction, reconstruction, and maintenance of roads and streets resulting from new school construction or renovation of existing schools. The Board must select the projects to be funded, and provide first priority to new school construction projects, unless a waiver is granted by an affected county or municipal government.

From July 1, 2012, to February 28, 2014, the District received $959,306 in fuel tax refunds. The receipt and expenditure of those refunds were recorded in the General Fund. However, the District did not maintain a separate accounting of the refunds and did not select projects to be funded with the refunds to ensure that use of the refunds was limited to allowable projects pursuant to Section 206.41(4)(e)2., Florida Statutes. As such, expenditures of these fuel tax refunds totaling $959,306 represent questioned costs. Without identification of the projects to be funded with fuel tax refunds and District records to evidence appropriate use of the refunds, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: To enhance the District's accountability and transparency of fuel tax transactions and to clearly evidence compliance with statutory requirements relating to these moneys, the District should separately account for these transactions in its accounting records, and ensure that it limits the use of fuel tax refunds to allowable purposes established by law. Further, the District should document to the Florida Department of Education (FDOE) the allowability of the $959,306 of fuel tax expenditures. Absent such documentation, the District should establish an account totaling $959,306 to be used for allowable fuel tax refund purposes.

Finding No. 3: Purchasing Card and E-Payables Program Rebates

The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing process. The District also maintains an e-Payables program with the financial institution as a convenient option for vendors to receive payments. As an incentive, the District receives annual rebates from the financial institution for each program, with the amounts determined based on the dollar amount of P-card purchases and e-Payables payments during annual periods. For the 2013 calendar year, the District had P-card purchases and e-Payables payments totaling $17,331,033 and $14,531,744, respectively, resulting in receipt as of March 2014 of a $491,856 rebate.

The $491,856 rebate included $100,420 and $33,580 generated by purchases using restricted Federal and State moneys from the special revenues funds and the capital projects funds, respectively. However, the rebate was not allocated and returned to the funds from which the P-cards and e-Payables payments were made but was recognized as revenue in the General Fund for operating purposes.

District personnel indicated that it was not feasible to do an accurate allocation of the rebate due to the thousands of transactions and hundreds of programs involved. They also noted that many programs would have been liquidated by the time the rebate was received. However, as certain Federal and State resources are typically restricted by Federal or State 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 FDOE for resolution on the use and allocation of rebates received on P-card purchases and e-Payables payments.

Facility Safety

Finding No. 4: Annual Facility Inspections

Section 1013.12, Florida Statutes, and the FDOE publication *State Requirements for Educational Facilities – 2012 (SREF)*, Section 4.4, require that the District annually provide for an inspection of each educational and ancillary plant to determine compliance with sanitation and casualty safety standards, codes, and requirements. In addition, the SREF, Section 5, requires annual fire safety inspections of District facilities by persons certified by the State Fire Marshal.

Our review of the inspection records for four school facilities (James H. Bright Elementary, Campbell Drive Middle, Homestead Middle, and North Miami Senior) disclosed that the District performed the required annual inspections. However, the inspection records for the four schools disclosed 358 deficiencies or facility maintenance needs that remained unresolved for two or more years after the date the inspections were performed. These unresolved noncompliance citations included unmaintained fire alarm systems and smoke detectors, uninstalled smoke detectors and emergency lights, uninspected boiler, lack of boiler certificates of operation, and other safety deficiencies.

Subsequent to our inquiry in April 2014, District personnel indicated that 89 percent of the deficiencies were corrected as of August 2014 and work orders were assigned for all remaining deficiencies. District personnel further indicated that the District's existing facilities needs would be addressed with funding recently made available from the voter-approved general obligation bonds. Failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy, and could result in additional costs in the future. Similar findings were noted in our report Nos. 2008-158 and 2011-099.

Recommendation: The District should continue its efforts to ensure that deficiencies and facilities maintenance needs noted in the annual inspection reports are timely corrected.

Personnel and Payroll

Finding No. 5: Severance Pay

Section 215.425(4)(a), Florida Statutes, provides that a unit of government that enters into a contract or employment agreement, or renewal or renegotiation of an existing contract or employment agreement, that contains a provision for severance pay must include a provision in the contract or employment agreement that precludes severance pay from exceeding 20 weeks of compensation. The statute also requires that contracts or employment agreements contain a provision that prohibits severance pay if the individual is fired for misconduct as defined in Section 443.036(29), Florida Statutes.

On March 20, 2013, the Board approved a third addendum to the employment agreement with the Superintendent, extending the original agreement until June 30, 2020. Section 10 of the agreement provides that if the Superintendent is terminated without cause, the Board will pay the Superintendent a lump sum equal to his current salary for one year or his current salary for the remaining term of the agreement, whichever time period is less. This provision did not appear to be consistent with Section 215.425(4)(a), Florida Statutes, as it allowed for severance pay that exceeded 20 weeks of salary. Also, contrary to law, the agreement did not prohibit severance pay should the Superintendent be terminated for misconduct.

Subsequent to our review, on October 10, 2014, the Superintendent signed a memorandum voluntarily modifying his employment agreement to provide that any severance payment as a result of terminations of his employment will not exceed 20 weeks of compensation as provided by Section 215.425(4)(a), Florida Statutes.

Recommendation: The District should continue its efforts to ensure that future employment agreements contain severance pay provisions that are in accordance with Section 215.425(4)(a), Florida Statutes.

Procurement

Finding No. 6: Purchasing Card Program

The District uses P-cards to expedite the purchase of selected goods and services. Board Policy 6424, *Purchasing Cards*, provides that P-cards may be used to make small dollar purchases and acquire materials and supplies as needed for operations, and pursuant to Board Policy 6480, *Expenditures*, P-cards may not be used for certain expenditures, such as items for personal use; food for meetings, awards, hospitality, and special observations; and beautification and decoration accessories. Also, purchases made with P-cards are subject to the same rules and regulations that apply to other District purchases and are subject to additional P-card requirements established in the Purchasing Card Program Policies and Procedures Manual (Manual). The Manual identifies additional unallowable charges that may not be made using P-cards, such as individual memberships in professional organizations; charges of $3,000 or more per vendor; splitting purchases to circumvent the transaction limits; furniture, fixtures, and equipment greater than $1,000; charges for extracurricular school activities; and any product procured by the District's Stores and Mail Distribution such as paper and other office supplies.

The District contracted with a financial institution to issue the P-cards and process purchases. As of February 28, 2014, P-cards were issued to 550 District employees and P-card expenditures totaled $28.6 million from July 1, 2012 through February 28, 2014. Our review and related tests of P-card procedures disclosed that the District's P-card procedures could be improved as discussed below.

Purchase Preapprovals – Worksite Administrators. The Manual requires use of a purchase authorization form to preapprove P-card purchases. The form provides the requester's and cardholder's names; a description, including quantity and price, of the goods or services being acquired; and the name and signature of the worksite administrator approving the purchase. Upon approval, the form is returned to the employee authorized to make the purchase; however, the Manual did not provide for independent supervisory review and approval of purchases requested by worksite administrators. Our test of 136 P-card purchases totaling $146,581 for the period July 1, 2012, through February 28, 2014, disclosed that worksite administrators requested and approved 93 (68 percent) of these purchases, without independent supervisory review and approval. Without such, there is an increased risk of errors or fraud without timely detection.

Purchase Limits. Establishing credit limits reduces the risk of unauthorized P-card usage or purchases in excess of budget constraints. For each cardholder, the Manual limited the dollar amount of single, daily, and monthly purchases and the total number of daily transactions. For example, the Manual's single, daily, and monthly purchase limits for each administrative employee was $3,000, $4,000, and $6,000, respectively, and the Manual's total number of daily transactions was limited to 10 for each administrative employee.

Our review of all P-card limits during the period from July 1, 2012 through February 28, 2014, disclosed that card limits on certain administrative employee P-cards exceeded the limits established by the Manual as follows:

- The actual single purchase limit for 3 P-cards ranged from $6,000 to $15,000, exceeding the Manual's $3,000 limit.
- The actual daily purchase limit for 8 P-cards ranged from $15,000 to $75,000, exceeding the Manual's $4,000 limit.
- The actual monthly dollar limits for 25 P-cards ranged from $7,000 to $500,000, exceeding the Manual's $6,000 limit.
- The actual number of daily transactions for 11 P-cards ranged from 11 to 100, exceeding the Manual's 10 daily transactions limit.

In addition, 3 District's Department of Transportation (DOT) P-cards were used for 767 transactions totaling $4.5 million, ranging from $3,008 to $9,999, exceeding the $3,000 single transaction limit established by the Manual. Also, 544 of these transactions totaling $3.8 million, ranging from $4,020 to $9,999, exceeded the $4,000 daily transaction limit. The District's Office of the Controller approved the cardholder excessive limits discussed above; however, such approval is contrary to Board policy and the Manual that restricts P-card use to small dollar purchases.

Further, contrary to Board policy and the Manual that prohibits split purchases, the DOT made 158 purchases of tires from two vendors totaling $1.3 million and, in each instance, these purchases were just below the single transaction limit to effectively circumvent the control. These purchases consisted of 51 separate purchases of $5,577.60 each, when the actual single transaction card limit for the P-card was $6,000 (i.e., $3,000 more than the limit in the Manual) and 107 separate purchases of $9,425.52 each when the actual single transaction card limit for the P-card was increased to $10,000 (i.e., $7,000 more than the limit in the Manual). Examples of these purchases included two $5,577.60 purchases for tires on each of 5 separate days and two $9,425.52 purchases for tires on another day with the combined one day total for these purchases exceeding the daily P-card transaction limits. In addition, the DOT made 30 of these purchases from one vendor and 4 from another vendor from 2 to 4 consecutive days. Purchases made from the same vendor over short time periods, which accumulate to amounts that are more than the limits established by the Manual, effectively circumvent controls that prohibit split purchases through separate transactions.

P-card charges. Our test of 136 P-card charges totaling $146,581 disclosed 16 charges totaling $9,631 that were contrary to the Manual, as follows:

- Beautification and Decoration Accessories: Six purchases totaling $2,753 were for a fish aquarium with supplies, a decorative area rug, bean bag chairs, and decoration accessories. Although District personnel indicated that these purchases served a public purpose, District records did not evidence that these purchases were consistent with requirements established in the Manual.
- Professional Organization Memberships: Five purchases totaling $1,751 were for individual memberships in professional organizations, contrary to the Manual.
- Extracurricular School Activities: Three purchases totaling $1,228 included balloon purchases for an extracurricular school activity event, t-shirts, and photo magnets, contrary to the Manual.
- Stores and Mail Distribution Purchases: One purchase totaling $1,470 was for copy paper that was also available in the District Stores and Mail Distribution inventory catalog. The purchase was for 35 copy paper cases costing $42 per case; however, the cost of copy paper listed in the Stores and Mail Distribution inventory catalog was $24 per case, or $630 less than the total paper cost paid.
- Furniture: One purchase totaling $2,429 for a square table set exceeded the $1,000 furniture purchase limit.

Competitive Procurement. Board Policy 6320, *Purchasing,* provides that purchases of the same or a group of related items that are anticipated to exceed $50,000 must generally be made pursuant to competitive bids. However, our review of P-Card purchases disclosed several purchases that were not made pursuant to competitive bids although, in the aggregate, the amounts paid exceeded the competitive bid threshold for the same or related items and District records did not evidence the basis for not obtaining competitive bids. For example, P-Card purchases of office and school supplies totaling $1.4 million from three vendors and cleaning and janitorial services at several schools totaling $123,000 from one vendor, were made during the 2012-13 fiscal year without the benefit of a competitive procurement process. Without competitive bids or documented justification for not obtaining competitive bids, the District has limited assurance that it is obtaining goods and services at the lowest cost consistent with acceptable quality.

Former Employee P-card Cancellations. We reviewed P-cards of 24 former employees who terminated employment during the period July 1, 2012, through February 28, 2014, and noted 6 former employee P-cards that were untimely cancelled from 6 to 60 days after their employment termination. While the former employees did not charge purchases after their terminations, without timely cancellation of former employee P-cards, there is an increased risk that unauthorized purchases may be made.

Periodic Evaluations. A contributing factor for the above P-card control deficiencies is that the Manual did not require periodic evaluations of card limits and use and, although the P-card program has been in effect for two years, District records did not evidence any evaluations of the program as of August 2014. Without periodic evaluation of employee transaction limits and card use, there is an increased risk that errors or fraud related to the program could occur without timely detection.

Recommendation: The District should enhance P-card procedures to ensure supervisory review and approval of purchases by worksite administrators, compliance with established card limits without splitting purchases to circumvent the limits, P-card use for only purposes authorized in the Manual, compliance with competitive bidding requirements where applicable, and timely cancellation of terminated employees' P-cards. Such procedures should also ensure documented periodic evaluations of P-card limits and use to ensure the program is operating consistent with the Manual requirements.

Finding No. 7: 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, the District requires employees to complete certifications evidencing that they are in compliance with the Board conflicts of interest policy that prohibits individuals from doing business with the District or have potential conflicts of interest.

During the 2012-13 fiscal year, the Superintendent, Board members, Chief Finance Officer, and approximately 630 other employees were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. However, employee certifications and statements of financial interests were not provided to the District's Procurement Management Services Department for review. Providing for routine review and consideration of required employee certifications and statements of financial interests by the District's Procurement Management Services 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 employee certifications and statements of financial interests by its Procurement Management Services Department for consideration in making procurement decisions.

Virtual Instruction Program

Finding No. 8: Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that the District provide information to parents and students about their right to participate in a virtual instruction program (VIP). Further, Section 1002.45(1)(b), Florida Statutes, requires the District to provide parents with timely, written notification of open enrollment periods for its VIP.

District personnel indicated that several communication methods were used to provide information about the District's VIP to parents and students. Such communications included flyers posted and brochures made available and distributed in school guidance offices and expositions for school choice, information displayed on the District and schools' Web sites, brochures in county public libraries, newspaper and television advertisements, and VIP flyers distributed to students for home delivery. In addition, the District procedures require that school principals, including charter schools principals, complete an online survey certifying the distribution of the VIP flyers to students. District records included databases documenting VIP notifications for the 2013-14 and 2014-15 school years with information such as the school name, title and name of certifier, date that VIP flyers were distributed to students, and date of survey submission to the District. However, for the 2013-14 and the 2014-15 school years, District records did not evidence VIP notifications for 98 and 34 schools, respectively, of the total 328 schools. In addition, District records indicated that some school principals certified more than once, or certified prior to the date flyers were distributed to students, and that some schools lacked the date VIP flyers were distributed to students.

While District records indicated efforts by District personnel to communicate with parents and students about the District's VIP for the 2013-14 and 2014-15 school years, District records did not evidence that timely, 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 enrollment period dates, potentially limiting student access to virtual instruction types. A similar finding was noted in our report No. 2013-094.

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 the open enrollment period dates.

Finding No. 9: 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, another approved provider, another school district, or a virtual charter school. Pursuant to Section 1002.45(1)(b), Florida Statutes, school districts that are not considered to be in sparsely-populated counties, as discussed in Section 1011.62(7), Florida Statutes, must provide students with at least three options to participate in virtual instruction. As the District is not in a sparsely-populated county, the District must offer the three VIP types for all grade levels within the District's 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 kindergarten through 12, only two virtual school options were offered for grades kindergarten through 5 and 9 through 11, and only one option was offered for grade 12. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that the minimum number of VIP part-time and full-time options is offered to all grade levels as required by law.

Food Service Records Management

Finding No. 10: Monitoring of the Purchased Food Cost per Meal

During the 2012-13 school year, the District had 279 locations that prepared meals for 357 serving sites and purchased food expenditures for this period totaled $60.4 million.

We requested District records evidencing the monitoring of purchased food costs per meal among schools at the same educational level. In response to our inquiries, District personnel indicated that management performs weekly reviews of meal participation (revenue) and meals per labor hour for trends and site specific performance, as well as monitoring food orders and inventory. Additionally, District personnel indicated that key performance indicators of meal participation, productivity standards, and production and menu records have helped management to analyze and review site performance. However, District records did not evidence the current cost per meal and year-to-date cost per meal for purchased food, food processing, supplies, labor, and operating expenses for breakfast and lunch meals. Nor had the District, of record, established cost parameters based on industry standards or analyzed significant differences between actual purchased food cost per meal and these parameters. As such, the District's ability to monitor, analyze, and evaluate the purchased food cost per meal among schools at the same educational level was limited.

While the procedures performed by the District provide a measure of control, monitoring differences in purchased food cost per meal among schools at the same educational level may provide the District a more effective means of detecting unauthorized or inefficient usage of food supplies. Similar findings were noted in our report Nos. 2008-158 and 2011-099.

Recommendation: The District should strengthen its procedures to monitor the purchased food cost per meal among the District's schools by establishing cost parameters based on industry standards and analyzing significant differences between actual purchased food cost per meal and these parameters. The District should also document, of record, the causes of differences and take appropriate action, as necessary, to promote the efficient use of food supplies.

Motor Vehicles

Finding No. 11: Monitoring Fuel Efficiency

During the 2012-13 fiscal year, the District expended $2.5 million and $6.1 million for gasoline and diesel fuel, respectively, and from July 2013 through February 2014, gasoline and diesel fuel expenditures totaled $1.6 million and $6 million, respectively. The principal system used for dispensing fuel for District motor vehicles is the Vehicle Information Transmitter (VIT). The VIT system uses a fuel tracking device installed in vehicles to track fuel distributed through the fuel pumps located at transportation centers. The tracking device activates the fuel pump and allows the user to obtain fuel without the use of a fuel card or personal identification number while capturing data that allow management to generate fuel consumption and exception reports for each vehicle.

The DOT is responsible for reviewing monthly fuel exception reports that identify vehicles with fuel consumption averages of less than 4 miles per gallon or more than 25 miles per gallon. The report provides the date and time of the fueling, odometer readings at the time of the fueling, miles driven, units of fuel consumed, and the average miles per gallon for each vehicle. The DOT submits the exception reports to the department that owns or utilizes the vehicle for investigation or to the corresponding vehicle repair shop to have the mileage verified and the VIT checked to ensure that the mileage readings from these devices match. If odometer reprogramming or VIT recalibration are necessary, the revised readings are entered in the District's fuel system to update the vehicle's fuel usage records.

Our review of 20 average miles per gallon exceptions generated for ten vehicles for the November and December 2013 exception reports disclosed 6 exceptions for three vehicles that remained unresolved by management from three to four months. District personnel indicated that the exceptions shown on the reports resulted from several flaws in the fuel exception reports, mileage-related anomalies, and VIT technical errors from the VIT not being synchronized to the vehicle's odometer. However, when reported exceptions are not resolved timely, the control provided by the VIT system is limited and there is increased risk of unauthorized fuel usage. Similar findings were noted in our report Nos. 2011-099 and 2013-108.

Recommendation: The District should enhance its procedures to timely investigate and resolve exceptions noted in fuel exception reports.

Information Technology

Finding No. 12: Written Policies and Procedures

Each information technology (IT) function needs complete, well-documented policies and procedures to describe the scope of the function and its activities. Sound policies and procedures provide benchmarks against which compliance can be measured and contribute to an effective control environment.

The District had not developed written policies and procedures for the creation, authorization, modification, and review of users' access privileges. Also, the District had not developed written procedures for data restoration,

including preparation of a test plan and documentation of test results. Without written policies and procedures, the risk is increased that IT controls may not be followed consistently and in a manner pursuant to management's expectations. A similar finding was noted in the District's 2011-12 fiscal year financial audit report.

Recommendation: The District should establish written policies and procedures for the management of access privileges and data restoration.

Finding No. 13: Access Privileges

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibility. Clear division of roles and responsibilities between the IT function and application end users reduces the possibility of a single employee or contractor subverting a critical process. Periodic reviews of assigned IT access privileges are necessary to ensure that employees and contractors can only access IT resources that are necessary to perform their job responsibilities and that the assigned access privileges enforce an appropriate separation of incompatible responsibilities. Timely deactivation of terminated employee and contractor IT access privileges is necessary to ensure that the access privileges are not misused to compromise data or IT resources.

Our tests of selected access privileges to the enterprise resource planning system, including finance and human resources (HR) applications, disclosed some access privileges that were unnecessary or that permitted incompatible functions to be performed. Specifically:

- Fourteen Systems and Programming Services employees and contractors had the ability to update transactions within the finance application, including check information and vendor master records. In response to our inquiry in January 2014, District personnel indicated that the access privileges were removed for all but five of the employees who had reporting and end-user support responsibilities.
- Thirteen former employees and contractors who terminated employment from the District had update access privileges assigned within the District's finance and HR applications. While the former employees and contractors did not maintain their District logon privileges to access the applications after termination, the excessive access privileges that existed prior to their termination resulted from an applied application update that assigned user access privileges directly by user rather than the District's standard procedure of assigning access indirectly by position.

Further, the District had not performed a periodic review of employee and contractor access privileges. The existence of the above inappropriate and unnecessary access privileges indicated a need for a periodic review of all employee and contractor access privileges and increased the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report No. 2011-099 and the District's 2011-12 fiscal year financial audit report.

Recommendation: The District should periodically review employee and contractor IT access privileges and remove any inappropriate or unnecessary privileges detected. In addition, the District should ensure that access privileges of terminated employees and contractors are timely deactivated.

Finding No. 14: Security Incident Response Plan

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

Section 501.171, Florida Statutes, effective July 1, 2014 (previously Section 817.5681, Florida Statutes), requires that any person who conducts business in Florida and maintains computerized data in a system that includes personal information should provide notice of any breach of security of the system, following determination of the breach, to any Florida resident whose unencrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person. Prior to July 1, 2014, the notification was required to be made no later than 45[1] days (currently 30 days) following the determination of the breach unless otherwise provided in this section of the law. The required notification may be delayed upon a request by law enforcement if a law enforcement agency determines that the notification will impede a criminal investigation. The notification time period required should commence after the person receives notice from the law enforcement agency that the notification will not compromise the investigation.

Although the District had procedures in place to report and respond to selected incidents involving user security violations, the District had not developed a written IT security incident response plan including:

- 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, of notifying affected parties whose personal information was, or was reasonably believed to have been, acquired by an unauthorized person.

Should an event occur that involves the potential or actual compromise, loss, or destruction of District data or IT resources, the lack of a written security incident response plan may result in the District's failure to take appropriate and timely actions to prevent further loss or damage to District data and IT resources.

During the 2013-14 fiscal year, District Information Technology System (ITS) personnel were advised by the District's Police Department and Federal law enforcement personnel of a security breach that involved a District cafeteria manager who was being investigated for allegedly selling computer screen printouts containing sensitive data (unencrypted student personal information) obtained from the District's Integrated Student Information System (ISIS). Our inquiries and correspondence with ITS personnel disclosed that the information contained on the computer screen printouts was used by the District's 349 cafeteria managers to perform their daily job functions.

On January 15, 2014, law enforcement authorities notified the District of the breach and system access for the cafeteria manager involved in the security breach was revoked on the same date. On March 21, 2014, Federal charges were filed against the cafeteria manager for conspiring to steal identities for the purpose of filing fraudulent income tax returns. Subsequently, pursuant to a guilty plea, the cafeteria manager was sentenced to 81 months in prison, followed by two years of supervised release, and ordered to pay restitution of $87,736.

[1] See Section 817.5681 (1)(a), Florida Statutes (2013).

In response to our inquiries in April 2014, we were informed by ITS personnel that affected students whose personal information was, or was reasonably believed to have been acquired for purposes of sale by the cafeteria manager, had not been notified because law enforcement personnel had not provided ITS with a list of individual students who may have been affected by the security breach. Also, ITS personnel indicated that District Police Department personnel had informed them that Federal authorities were deciding how to handle notification; however, District records did not evidence that a law enforcement agency had requested that the District delay notifications of the security breach to not impede the criminal investigation.

District personnel indicated that on August 28, 2014, Notification of Potential Disclosure of Personal Information letters were sent to 32 potential victims, which was 180 days after the 45-day notification requirement. Timely notifications of security breaches to affected individuals may help the individuals take prompt action to protect their identities and limit the extent of losses caused by the breaches.

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

Finding No. 15: Security Controls – User Authentication, Data Loss Prevention, and Logging and Monitoring System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication, data loss prevention, and logging and monitoring of system activity needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, data loss prevention, and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding related to user authentication controls was communicated to District management in connection with our report No. 2011-099.

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

PRIOR AUDIT FOLLOW-UP

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

Current Fiscal Year Finding Numbers	2011-12 Fiscal Year Audit Reports and Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers	2006-07 Fiscal Year Audit Report and Finding Numbers
4	NA(1)	Audit Report No. 2011-099, Finding No. 4	Audit Report No. 2008-158, Finding No. 7
8	Audit Report No. 2013-094, Finding No. 6 (Statewide VIP Audit)	NA	NA
9	Audit Report No. 2013-094, Finding No. 5 (Statewide VIP Audit)	NA	NA
10	NA(1)	Audit Report No. 2011-099, Finding No. 11	Audit Report No. 2008-158, Finding No. 1
11	Audit Report No. 2013-108, Finding No. 4	Audit Report No. 2011-099, Finding No. 14	NA
12	CPA Report, Finding No. 2012-03	NA	NA
13	CPA Report, Finding No. 2012-04	Audit Report No. 2011-099, Finding No. 19	NA
15	NA(1)	Audit Report No. 2011-099, Finding No.18	NA

Note (1): Audit finding not included in the scope of a 2011-12 fiscal year operational audit.

NA – Not applicable (Note: Above chart limits recurring findings to two previous financial or operational 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 March 2013 through September 2013 and from February 2014 through November 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 Nos. 3 through 13 and 16 through 19, included in our report No. 2011-099; finding Nos. 3 through 6 and 10, included in our report No. 2013-094; and findings Nos. 1 through 5 included in our report No. 2013-108.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7) (h), Florida Statutes.

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

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2012-13 fiscal year and selected actions taken subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

AUTHORITY

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

David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information technology (IT) policies and procedures.	Reviewed the District's written IT policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges over the District's Enterprise Resource Planning system, including finance and human resources applications, employee portal, network, operating system, and databases to determine the appropriateness and necessity based on the employees' and contractors' job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
IT logging and monitoring.	Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical IT resources.
IT data loss prevention.	Determined whether the District had developed written security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed the District's written policies and procedures, plans, and forms related to security incident response and reporting.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT security awareness.	Reviewed the District's IT security awareness training procedures.
Direct-support organizations.	Reviewed cash transfers and extending credit, or doing business with the direct-support organization (DSO) at prices that exceed the DSO's cost of providing the goods or services.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2013, to the fund's revenues was less than the percentage 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.
Annual fire safety, casualty safety, and sanitation inspection reports.	Obtained copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports and determined whether deficiencies noted were timely corrected.
Construction project closeout.	Examined capital construction project files and other supporting documentation to determine the effectiveness of the District's construction project closeout procedures.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds were expended in compliance with the restrictions imposed on the use of these resources.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Restrictions on use of Workforce Development funds.	Reviewed District's records 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.	On a test basis, determined whether the District properly 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.
Statements of financial interests requirements of Section 112.3145(2), Florida Statutes.	Determined whether the District Superintendent, Board members, and certain purchasing agents filed statements of financial interests 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.
Budgets.	Determined whether District procedures for preparing their budget were sufficient to ensure that all potential expenditures were budgeted.
Interest rates of lease purchases.	Determined whether interest rates on lease purchases were within maximum rates allowed by Section 215.84(3), Florida Statutes.
Auditor selection.	Reviewed supporting documentation related to the most recent auditor (CPA) selection to determine whether the District complied with Section 218.391, Florida Statutes.
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.
Performance assessments.	Examined supporting documentation for performance assessments of selected personnel for reasonableness and compliance with applicable Florida law, rules, and Board policies.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Compensation for appointed superintendents.	Determined whether the appointed Superintendent's compensation was in accordance with Florida law, rules, and Board policies.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board established a documented process and adopted a salary schedule to ensure that differentiated pay of instructional personnel and school administrators is based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Background screenings.	Determined, on a test basis, whether personnel had been subjected to required fingerprinting and background checks.
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.
Professional development training records.	Reviewed and evaluated procedures and District records documenting approval, offering, attendance, participation, and reporting of professional development training classes.
Board member compensation.	Examined supporting documentation to determine whether Board members' salaries were in compliance with Section 1001.395, Florida Statutes.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
Fuel efficiency of vehicles.	Reviewed supporting documentation to determine the effectiveness of the District's monitoring of fuel efficiency of vehicles.
Monitoring purchased food costs per meal.	Reviewed procedures to identify differences for purchased food cost per meal among schools at the same education level.
Monitoring purchased food inventory turnover rates and related reconciliations.	Tested schools' purchased food inventory turnover rates to determine whether the District effectively monitored purchased food inventory and whether the reasons for significant rate variances from the average inventory turnover rate were documented and resolved timely.
Daily food production and menu records.	Tested daily production and menu records to determine whether the District properly documented compliance with meal pattern requirements and monitored the quantities of food items used in the preparation of meals.
John M. McKay Scholarships for Students with Disabilities Program.	Examined records to determine whether parents and guardians were notified annually of the John M. McKay Scholarships for Students with Disabilities Program pursuant to Section 1002.39(5)(a), Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	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 purchasing card and e-Payable programs were allocated to the appropriate District funds.
Contract agreements.	Tested selected 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.
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, determine whether contractors were awarded construction projects in accordance with applicable laws and rules, and tested payments and supporting documentation to determine compliance with District policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the District monitored the selection process of architects and engineers, construction managers, and subcontractors by the construction manager.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost effective and consistent with established benchmarks, and whether contractors performed as expected.
Five-year facilities work plan.	Reviewed the current five-year facilities work plan and determined whether the District maintained records that supported the information reported in the plan.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Selection process and insurance for architects and engineers.	For selected major construction projects, determined whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance. Also, reviewed architect and engineer contracts to determine whether they included errors and omissions allowance provisions.
Dual enrollment programs.	Reviewed District policies and procedures related to dual enrollment programs. Determined, on a test basis, whether payments made for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.
Electronic funds transfers and payments.	Reviewed District policies and procedures relating to electronic funds transfers and vendor payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported, and complied with State Board of Education Rule 6A-1.0012, Florida Administrative Code.
Charter schools' insurance requirements.	Determined, on a test basis, whether the District effectively monitored charter schools' insurance requirements.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.
Charter school lease agreements.	Determined whether the District limited fees charged to charter schools for facility leases in compliance with Section 1002.33(20)(b), Florida Statutes.
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 State Board of Education Rule 6A-6.0786, Florida Administrative Code.
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed.
Charter school 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.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Charter school expedited review.	Reviewed District procedures to determine whether they were sufficient and appropriate to determine whether its charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For schools subjected to an expedited review, examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
Virtual instruction program (VIP) policies and procedures.	Determined whether the District's written VIP policies and procedures addressed certain important VIP functions.
VIP FDOE-approved contract provisions.	For District-contracted FDOE-approved VIP providers, determined whether contracts with 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 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 computing resources.	Reviewed student records and determined whether the District ensured that VIP students were provided with the computing resources necessary for program participation for those eligible students that did not already have such resources in their home.
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.

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EXHIBIT B
MANAGEMENT'S RESPONSE

Miami-Dade County Public Schools
giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Miami-Dade County School Board
Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Susie V. Castillo
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Raquel A. Regalado

January 20, 2015

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

Dear Mr. Martin:

Attached are our responses to the preliminary and tentative audit findings and recommendations of the operational audit of the Miami-Dade County District School Board for the fiscal year ended June 30, 2014.

As noted in the responses, the District generally agrees with these findings. Management has implemented corrective actions to satisfy all recommendations germane to this audit report. What follows are details of the findings and their corresponding corrective action response.

Mr. Jose L. Dotres, Chief of Staff, is responsible for coordinating the response associated with this audit. If additional information is required, you may contact him at 305 995-1918.

We welcome the information provided by your staff and this report regarding recommendations for improvement and efficiency of operations, and would like to express our appreciation for the professional manner in which this audit was conducted.

Sincerely,

Alberto M. Carvalho,
Superintendent of Schools

AMC:mtg
L565

cc: Superintendent's Cabinet

School Board Administration Building • 1450 N.E. 2nd Avenue • Miami, Florida 33132
305-995-1000 • www.dadeschools.net

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

TRANSPARENCY

Finding No. 1 – The District did not timely and prominently post the required official budget information for 2012-2013 and 2013-2014 fiscal years on its Web site.

Management's Response:

The *Executive Summary* is produced for the Tentative Budget (over 250 pages) providing the public with summary information in several formats. They are posted on the web for both 2012-2013 and 2013-2014. Each year the first budget public hearing is advertised in the newspaper providing a budget summary with final millage rates, notice of tax for school capital outlay, and a notice of proposed tax increase as required by law. The notice of proposed tax increase includes the address and time of the where the public hearing will be held. The public may attend the public hearing and discuss budget issues.

At the September Board meeting, only changes from the Executive Summary are summarized in Agenda Item E-16 and State Budget forms are provided as background information. The State Budget forms provide: 1) the total budget by fund/function/object along and 2) final millage rates but does not provide explanations as to what major changes have been made in the budget compared to the prior fiscal year.

In addition, final millage rates are approved by the Board in Agenda Item E-14. There are no increases from the millage approved by the Board at the first public hearing. The Executive Summary is not reproduced with updated information.

To ensure more budget transparency, State Budget Forms containing the official budget information will be posted on the web following final adoption by the Board.

RESTRICTED RESOURCES

Finding No. 2 – District records did not evidence that fuel tax refunds were used for authorized purposes.

Management's Response:

The District concentrates its efforts in funding renovations and maintenance projects where the wellbeing and safety of our students is a top priority. The District's General Fund gives up .061 or $12.3 million of discretionary millage to capital projects to cover expenditures of the repairs and maintenance of schools inclusive of repair and upgrading of roads and streets within the District.

District procedures have been updated to comply with the statutory requirement that fuel tax rebates be earmarked to fund construction, renovation and maintenance of

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

roads and streets as a result of new school construction or renovation of existing schools.

Finding No. 3 – The District did not allocate e-Payables and purchasing card (P-card) program rebates generated by restricted resources to appropriate District funds.

Management's Response:

The e-Payables and purchasing card program rebates result from a contractual agreement with a financial institution in this case JP Morgan Chase. The rebate is calculated and paid to the District one year in arrears based on total volume that include thousands of transaction and hundreds of programs as well as early payment terms. The rebate is tantamount to a prompt payment discount.

The intent of the rebate is to support the administration of the credit card and e-Payables program. The District has procedures in place to ensure that Federal awards and State resources are spent in the manner prescribed by the funding agencies. In the future, the District will follow the Florida Department of Education's recently published guidance on rebates.

FACILITY SAFETY

Finding No. 4 – We noted 358 deficiencies or facility maintenance needs for four schools that remained unresolved for two or more years after the date of the facility safety inspections were performed.

Management's Response:

Of the open deficiencies reported by the Auditor General, 91% have been corrected. All remaining deficiencies have been determined to be capital in nature and will be included in planned, funded renovation/replacement projects at the corresponding schools. No pending items pose an imminent hazard to students or staff.

With regard to the broader issue of addressing the District's existing facilities needs, funding is now available as a result of the voter-approved General Obligation Bond (GOB). As GOB projects are completed and buildings are either renovated or replaced, facility-related deficiencies will be corrected.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

PERSONNEL AND PAYROLL

Finding No. 5 – The Superintendent's employment agreement included a severance pay provision that did not appear to be consistent with Section 215.425(4)(a), Florida Statutes.

On October 10, 2014, the Superintendent voluntarily signed a memorandum modifying his employment agreement to provide that any severance pay as a result of termination will not exceed 20 weeks as provided by Section 215.425(4)(a), Florida Statutes. It is worth noting that the Superintendent's contract and provisions therein preceded the change in the referenced statute. Moving forward, Miami-Dade County Public Schools will continue its efforts to ensure that all future employment agreements with severance pay provisions are in accordance with Section 215.425(4)(a), Florida Statutes.

PROCUREMENT

Finding No. 6 – The District's P-card procedures could be improved.

Management's Response:

Purchase Preapprovals – Worksite Administrators. As indicated in Board Policy 6424, the P-card is used to expedite the purchase of certain goods and services. The worksite administrator is solely responsible for administering the location's budget and as such is solely responsible for the approval of the location's purchases including those made through purchase orders and the purchasing card. This process is in alignment with established District approval levels in Board Policy 6320 and administrative procedures for the SAP system.

Purchase Limits – Currently, the District utilizes a Limit Increase Request Form (Form 7476) that provides flexibility for a location to request limit increases subject to budget availability or specific needs. The Form is signed by the Cardholder and approved by the Worksite Administrator before submitting to the Controller's Office.

In the situations cited in the Audit Report, the Department of Transportation has properly executed and approved Limit Increase Request Forms (Form 7476) in compliance with the section of the Manual that address Credit Limit Increase Request.

The Manual will be revised to be more descriptive of the actual process that is currently in place and to further clarify instances where higher limits are required. Additionally, the Manual will add language to reinforce the District's Policy against splitting purchases to circumvent limits.

P-card charges – The section in the Manual listing Additional Exclusions of purchases utilizing the P-card will be enhanced to include additional specific examples of items that are not allowed to be purchased with the P-card.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Competitive Procurement - The Manual will be revised to add a section on Competitive Bidding as delineated in Board Policy 6320 and a report of monthly P-card expenditures will be provided to the Office of Procurement Management to enable tracking of purchases by vendor/commodity for bid purposes.

Former Employee P-card Cancellations – As explained to the audit team, the Accounts Payable Department implemented a report developed in SAP that lists individuals who have been assigned a purchasing card who have changed work locations or have terminated employment in the previous month.

Periodic Evaluations - The Manual will be revised to include the requirement to perform periodic evaluations of usage and limits.

Finding No. 7 – Procurement procedures could be enhanced to provide for routine review of employee certifications of compliance with the conflict of interest policy and required statements of financial interests for consideration in making procurement decisions.

Management's Response:

The Office of Procurement Management Services is in the process of revising some aspects of School Board Policy 6320, *Purchasing*, specifically adding a section regarding *Conflict of Interest*.

During the completion of each solicitation, each employee involved within the transaction will sign a conflict of interest form. This form will include the names and officers of the respective vendors and the names of each employee. Each employee will sign stating that there are no conflicts of interest. Also, at the beginning of each fiscal year, Procurement staff will review employee certifications and statements of financial interests. For each employee name listed, notification will be sent informing each staff person to complete the following:

1. Review the link of current vendors of the District;
2. Each staff person listed on the statement of financial interests would attest, by signature, that they have no conflicts of interest with any listed vendors; and
3. This information will be retained within the Procurement Management Department and updated annually to list the newly registered vendors and sent out each fiscal year to all employees listed on the statement of financial interests, as noted above.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

VIRTUAL INSTRUCTION PROGRAM

Finding No. 8 – District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's virtual instructional program (VIP) and open enrollment period dates.

Management's Response:

The District will modify its procedures regarding notification of VIP options and the open enrollment period. Staff in Charter School Operations and the Region Offices will be asked to monitor school compliance with the notification requirement.

Finding No. 9 – The District could enhance procedures to ensure that the required number of VIP options is offered.

Management's Response:

The District will offer additional VIP options to students. The following full-time and part-time options will be available:

Option 1: K12 (Fuel Education) for grades K-12
Option 2: Broward County Virtual for grades K-12
Option 3: FLVS/Connections Academy for grades K-12

Executed contracts were submitted for option 1. For option 2, the District provided a copy of the School Board Policy that allows inter-district transfers between Miami-Dade and Broward counties. The Auditor General did not accept the School Board policy in lieu of a contract and required a separate agreement between Broward and Miami-Dade counties for virtual school participation. The agreement was recently drafted by the Miami-Dade County School Board Attorney's Office and has been submitted to Broward County for signatures. For option 3, the district is currently amending its contract with FLVS to offer the part time program for grades K-12.

FOOD SERVICE RECORDS MANAGEMENT

Finding No. 10 – The District's monitoring of purchased food cost per meal could be improved.

Miami-Dade County Public Schools' Food and Nutrition Department has implemented the following strategies:

- Implemented procedures to monitor the purchased food cost per meal by performing weekly reviews of student meal participation and meals per labor hour for trends and site specific performance, and monitoring food orders and inventory.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

- District will monitor meal participation, productivity standards, and production and menu records to help analyze and review site performance as key performance indicators.

- Monthly budget projection meetings are held with staff from the Department of Food and Nutrition, Accounting and Budget Management to analyze the monthly statement of operations for all categories of revenues and expenditures.

- Budgetary, operational and industry trend analysis is performed for all revenue and expense categories to determine fluctuations which will be addressed by management.

- Create a standard cost to compare against actual purchased food cost per meal.

In conclusion, the Department of Food and Nutrition will strengthen current procedures by establishing a purchased food cost parameter based on the National Food Service Management Institute's Financial Management performance indicators.

MOTOR VEHICLES

Finding No. 11 – The District needed to enhance its motor vehicle fuel efficiency monitoring procedures.

The Miami-Dade County Public Schools' Transportation Department has implemented the following strategies:

- Developed a Fuel Exception Report to facilitate gathering of fuel efficiency information for each department that operates District motorized equipment or vehicles. Each department administrator has been directed to review the report for exceptions or irregularities for their individual department's fleet and correct the irregularities in a timely manner or initiate an investigation.

- Implemented several measures to address fueling exceptions or odometer exceptions and assist other District departments to correct any odometers discrepancies that may be recorded in the exception report. These measures include the reprogramming of the Vehicle Information Transmitter (VIT) which is mounted on most District units to enable access to district owned fueling sites.

- Examined different approaches to address low miles-per-gallon readings on calendar year 2003-2005 school buses. These include: enforcing the "No Idle" rule and ensuring that fuel/air filters are replaced as recommended by the manufacturer.

- Evaluated current report with staff from E.J. WARD, the fuel management system provider, to assess and identify possible enhancements. As a result,

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

E.J. WARD has indicated that an upgrade to the current version of the software would improve the accuracy of the report.

The Department of Transportation welcomes the information provided in the Auditor General's Report and will continue to search for ways to more accurately monitor fuel usage by district motorized equipment and vehicles.

INFORMATION TECHNOLOGY

Finding No. 12 – The District lacked written policies and procedures for the management of information technology (IT) access privileges and data restoration.

Multiple written documents exist regarding the management of access privileges, instructions for use/user guides, periodic reminders to verify appropriateness of access, etc. Some of these documents are as follows:

- Network Security Standards (please note, all users of the District's MDCPS Portal are required to confirm/accept the provisions outlined in the Acceptable Use Policy; both the Staff and Student Acceptable Use Policies explicitly state that compliance with the Network Security Standards is mandatory)
- Quad A User Guide
- Numerous Weekly Briefings from ITS and from the Office of Management and Compliance Audits (OMCA)
- ITS Standards and Procedures Document: COMPUTER SECURITY, DATA SECURITY

Schools are audited regularly by OMCA to ensure adherence to these policies/procedures.

To further allay concerns, ITS is proposing the inclusion of the following in the Network Security Standards revisions: IT functions within the District follow the principle of least privilege. Users are automatically provisioned with only the ability to access their own email, Portal site (containing personal/professional information about the employee only), and the general department share/collaboration site specific to the location where he/she is employed. In order to access any additional resources, a location supervisor needs to provide additional access directly utilizing AAAA, Quad-A, or Quad-A+; in instances where a supervisor is unable to utilize any of these mechanisms to grant required access, a formal request should be submitted by the site administrator to ITS Data Security utilizing the Help Desk Expert Automation Tool (HEAT).

With regards to backup/data restoration concerns highlighted in the finding, multiple published documents address these topics as well:

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

- Network Security Standards
- ITS Standards and Procedures Document: BACKUP PROCEDURES, CD SYSTEM, DISASTER RECOVER PROCEDURES, JOB EXECUTION PROCEDURES, NETWORK SERVICES

The District has established a mature backup and data recovery/restoration process. ITS is regularly tasked with restoring data retrieved from various systems and backup platforms and has achieved a high success rate in these restoration efforts. To augment these real-world "test" processes, ITS will investigate the feasibility of implementing the periodic limited restoration of mission-critical systems.

Finding No. 13 – Some inappropriate or unnecessary IT access privileges existed.

The District employs an automated process to remove/revoke access for individuals who are no longer employed by the District. Site administrators are required by Policy (Network Security Standards) to review access reports for their respective locations on a regular/timely basis. By employing a decentralized authorization model, each of these administrators has the ability to remove access to sensitive/privileged information on the fly and at their individual discretion. Supporting documentation for Finding No. 12 is applicable here as well, as the supporting documents instruct site administrators to review authorization lists on a regular basis.

The ITS Standards and Procedures document also contains a section titled "Employee Termination Notification" that instructs supervisors of contractors and other individuals to submit a HEAT Employee Termination when a separation or termination occurs. ITS Data Security performs intermittent ad-hoc reviews of access in areas typically utilizing large numbers of contractors in order to verify appropriateness of access to mitigate some of the issues where proper "termination of access" notifications are not issued; Enterprise Resource Planning (ERP) Security performs the addition/removal of Payroll Approver functions at the behest of the Payroll department during their periodic access reviews. In order to address the potential oversight regarding contractor access removal, ITS will determine the feasibility of implementing an automated process to disable contractor accounts after a specified period of inactivity.

User access to these systems is based on Active Directory authentication utilizing an LDAP connection. As indicated in the audit, in the instances where users retained roles even after separation/termination, Active Directory login was disabled for the users, rendering any existing access useless. In the cases mentioned of users with inappropriate excessive rights, the District experienced a documented glitch where roles were incorrectly assigned to the user level rather than the position level in a number of isolated situations. As of this response, we are unable to recreate that issue and, as such, feel that it may have been resolved by an applied support pack or patch.

In order to mitigate concerns regarding excessive authorizations in the ERP system, ITS proposes developing a report (similar to the Resource Access Control Facility (RACF)

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

report) highlighting sensitive roles that site administrators will be required to review in the same manner as the RACF report. While the information is currently available, it is difficult to decipher and cumbersome for site administrators to find of any significant use. A functional spec for a report of this nature has been developed, but needs to be vetted appropriately before being placed into production.

Finding No. 14 – The District had not developed a written IT security Incident response plan.

The December 10, 2014 School Board Meeting saw the promulgation of new Board Policy 8351, Electronic Data Security Breach Notice Requirements, to echo notification requirements of 2014 Florida Statute 501.171. The new Policy will be published forthwith, and the District Network Security Standards will be amended to include information pertinent to this issue as well.

Finding No. 15 – District IT security controls related to user authentication, data loss prevention, and logging and monitoring system activity needed improvement.

The District has reviewed the recommendations based on the audit findings. In order to mitigate some of the audit concerns, software policies will be implemented and written policy documents will be revised to address specific concerns where possible/appropriate. In addition, the District is researching the feasibility of procuring/implementing software solutions for issues not specifically addressed by these measures.