

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2016-074  
January 2016

**SARASOTA COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2014-15 fiscal year, Lori White served as Superintendent and the following individuals served as Board members:

	<u>District No.</u>
Bridget Ziegler	1
Caroline Zucker	2
Frank Kovach, Vice Chair to 11-17-14, Chair from 11-18-14	3
Shirley Brown, Vice Chair from 11-18-14	4
Jane Goodwin, Chair to 11-17-14	5

The audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the team leader was Rebecca Ferrell, CISA, and was supervised by Heidi G. Burns, CPA, CISA.

Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Supervisor, by e-mail at [dougconner@aud.state.fl.us](mailto:dougconner@aud.state.fl.us) or by telephone at (850) 412-2730.

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# SARASOTA COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the Sarasota County District School Board focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2013-068. Our audit disclosed the following:

### **Personnel and Payroll**

**Finding 1:** The District did not always timely perform required background screenings for applicable instructional and noninstructional employees.

**Finding 2:** Time worked was not reported by District administrative contracted personnel or supported by documentation of supervisory review and approval.

### **Transportation Inventory**

**Finding 3:** Controls over transportation inventories needed enhancement.

### **Construction Administration**

**Finding 4:** As similarly noted in our report No. 2013-068, the District could enhance construction monitoring procedures to ensure subcontractors are competitively selected.

### **Virtual Instruction Program**

**Finding 5:** Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

**Finding 6:** VIP provider contracts did not include certain statutorily required and other necessary provisions.

**Finding 7:** The District needs to make procedural enhancements to ensure that the District offers the required number of VIP options.

**Finding 8:** The District could enhance procedures to better ensure that timely, written notifications are provided to parents about all VIP options offered.

**Finding 9:** District records did not evidence that VIP provider employees were subject to required background screenings.

### **Information Technology**

**Finding 10:** As similarly noted in our report No. 2013-068, some unnecessary or inappropriate information technology (IT) access privileges existed.

**Finding 11:** District security controls related to IT user authentication and logging and monitoring of system activity need improvement. Similar findings were communicated to District management in connection with our report No. 2013-068.

**Finding 12:** District procedures did not require a service auditor's report or otherwise monitor controls for its contracted data center provider.

## **BACKGROUND**

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The Sarasota 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 Sarasota County. The governing body of the District is the Sarasota 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 2014-15 fiscal year, the District operated 41 elementary, middle, high, and specialized schools; sponsored 11 charter schools; and reported 41,594 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2013-068. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2015, was presented in our report No. 2016-059.

## **FINDINGS AND RECOMMENDATIONS**

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### PERSONNEL AND PAYROLL

#### **Finding 1: Background Screenings**

State law<sup>1</sup> requires that each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students undergo background screenings. In addition, State law<sup>2</sup> provides that instructional and noninstructional employees who are permitted access on school grounds when students are present or who have direct contact with students must undergo a level 2 background screening<sup>3</sup> at least once every 5 years. To promote compliance with the statutory background screening requirement, District procedures require employees who have access to school grounds to undergo required background screenings.

During the 2014-15 fiscal year, the District employed 3,550 instructional and 2,760 noninstructional personnel. To determine whether required background screenings had been performed timely for these employees, we selected and examined District records, as of September 2015, for 80 employees.<sup>4</sup> We found that the required background screenings had not been performed at least once in the past 5 years for 45 of the 80 selected employees. The dates of the most recent background screenings for these 45 employees ranged from August 2002 to March 2009. While the District paid the FDLE an annual fee to obtain employee Florida criminal history record checks, the District had not resubmitted the 45 employees' fingerprints to the FBI for the national criminal history records checks. District personnel

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<sup>1</sup> Section 1012.32(2) Florida Statutes.

<sup>2</sup> Sections 1012.56(10) and 1012.465 Florida Statutes.

<sup>3</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the Florida Department of Law Enforcement (FDLE) and national criminal history records checks through the Federal Bureau of Investigation (FBI).

<sup>4</sup> The 80 selected employees included 40 instructional and 40 noninstructional employees.

indicated that the fingerprints had not been resubmitted primarily because of the limited number of personnel who perform this function.

Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that employees with unsuitable backgrounds may have direct contact with students.

**Recommendation: The District should take immediate action to identify employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. In the future, the District should ensure that required background screenings are timely performed for District employees.**

## **Finding 2: Payroll Processing Procedures**

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays administrative contracted employees (e.g., Deputy Superintendent, Chief Financial Officer, and school principals) on a payroll-by-exception basis whereby the employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2014-15 fiscal year, the District reported salary costs of \$17.4 million for administrative contracted employees. According to District personnel, to document leave taken, administrative contracted employees prepared certificates of absence forms that cost center supervisors reviewed and approved. The approved forms were maintained at the cost centers. In the online payroll system, payroll preparers entered leave taken on time sheets that cost center supervisors also reviewed and approved. While administrative contracted employee time sheets and certificates of absence forms evidence the employees' leave taken, District records did not evidence the time worked by the employees.

In response to our inquiry, District personnel indicated that, when a cost center supervisor approves an administrative contracted employee's time sheet that includes leave taken, the cost center supervisor is automatically certifying and approving that the hours not taken as leave were worked by the employee. However, without evidence of time worked and documented supervisory review and approval of administrative contracted employee time worked, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without appropriate records of time worked and supervisory review, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

**Recommendation: The District should require administrative contracted employees to report time worked on their time sheets and ensure that supervisory review and approval of such time is documented.**

**Follow-Up to Management’s Response:**

The District indicates in the written response that the addition of daily hours worked would require additional software programming costs to redesign the administrative time sheet and the additional assurance provided by the control would not outweigh such costs. However, given the District’s responsibility to monitor the administrative contracted employees’ services and the significant costs totaling \$17.4 million associated with these services for the 2014-15 fiscal year, records of attendance and time worked by administrative contracted employees, reviewed and approved by applicable supervisors, are necessary to demonstrate that the deliverables provided by the employees were consistent with Board expectations.

TRANSPORTATION INVENTORY

**Finding 3: Separation of Duties**

During the 2014-15 fiscal year, the District’s Transportation Department purchased parts and supplies with costs totaling \$324,059 to maintain and repair vehicles and, at June 30, 2015, the costs of the parts and supplies inventory totaled \$184,411. To appropriately account for and safeguard the parts and supplies purchased by the Transportation Department, appropriate internal controls, including controls to adequately separate the incompatible duties of purchasing, receiving, and issuing parts and supplies and maintaining the parts and supplies inventory records are necessary.

Our procedures disclosed that the District did not provide for an appropriate separation of duties for the inventory as the Parts Manager purchased, received, and issued inventory; had unrestricted access to the inventory; and adjusted inventory records. In addition, an inappropriate separation of duties existed as a mechanic had unrestricted access to the inventory and participated in the fiscal year-end inventory counts. In response to our inquiry, District personnel indicated that, due to staffing constraints, these duties had not been separated.

Without appropriate separation of duties, there is an increased risk of theft or inappropriate use of inventories without timely detection. If the Transportation Department does not have a sufficient number of staff to appropriately separate duties, compensating controls, such as periodic reviews of inventory purchases and issues performed by staff independent of the inventory function or supervisory review and approval of inventory transactions and physical counts are necessary.

**Recommendation: The District should ensure that an appropriate separation of duties for transportation inventories exists to the extent practical with available personnel or implement adequate compensating controls.**

CONSTRUCTION ADMINISTRATION

**Finding 4: Subcontractor Selection**

State law<sup>5</sup> provides that the District may contract with a construction management entity (CME) for the construction or renovation of facilities. Under the CME process, contractor profit and overhead are

<sup>5</sup> Section 1013.45(1)(c), Florida Statutes.

contractually agreed upon, and the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP) that allows for the difference between the actual cost of the project and the GMP amount (or the net cost savings) to be returned to the District. The net cost savings realized by the District may be increased by enhanced efforts to monitor construction costs and subcontractor bid awards.

In June 2013 and March 2014, the Board approved GMP contracts with separate CMEs for the Sarasota High School and Bay Haven School of Basics Plus projects with total costs of \$31.9 million and \$8.1 million, respectively. During the 2014-15 fiscal year, the District incurred expenditures totaling \$11.4 million for the Sarasota High School project and \$6.9 million for the Bay Haven School of Basics Plus project. While District records indicated that, as part of the District's project and CME monitoring efforts, District personnel verified that the CMEs' subcontractors were appropriately licensed and reconciled the subcontractors' payments to original bids and contracts, District personnel were not present at the subcontractors' bid openings because, according to District personnel, the bid openings usually took several days to complete.

Our review of the CMEs' subcontractor selection records indicated proper selection of the subcontractors; however, our procedures cannot substitute for management's responsibility to monitor the CMEs' process for selecting subcontractors. District personnel's documented attendance at bid openings would enhance public confidence in the fair and equitable selection of subcontractors. Also, without District procedures to appropriately monitor the CME's subcontractor selection process, the risk increases that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality. Consequently, the risk that the District may not realize maximum cost savings under GMP contracts is also increased. A similar finding was noted in our report No. 2013-068.

**Recommendation: The District should establish procedures for monitoring the CME subcontractor selection process that require District personnel to attend subcontractor bid openings.**

VIRTUAL INSTRUCTION PROGRAM

**Finding 5: Policies and Procedures**

State law<sup>6</sup> provides that district school boards are to prescribe and adopt 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. State law<sup>7</sup> 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

<sup>6</sup> Section 1001.41(3), Florida Statutes.

<sup>7</sup> Section 1002.45, Florida Statutes.

options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2014-15 fiscal year, the District enrolled 1,130 part-time and 49 full-time VIP students. The District's student progression plans, *Student and Family Handbook*, and other records identified certain instruction methods, the basis for eligibility in instructional programs, and enrollment and withdrawal information related to the VIP. However, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations.

In response to our inquiry, District personnel indicated that District procedures, along with various Board policies that address student attendance, promotion, and other processes, were sufficient without comprehensive, written VIP policies and procedures. Notwithstanding this response, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of noncompliance and control deficiencies discussed in Findings 6 through 9.

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

#### **Finding 6: Provider Contracts**

The District contracted with two Florida Department of Education (FDOE) approved providers during the 2014-15 fiscal year. State law<sup>8</sup> requires that each contract with an FDOE-approved VIP provider contain certain provisions. In addition, to ensure appropriate controls over District data quality, security measures, and contract monitoring processes, the contracts need to contain other necessary provisions to establish the District's expectations for the VIP providers. Our review of these two contracts and inquiries with District personnel disclosed that:

- One contract did not include agreed-upon student-teacher ratios, contrary to State law<sup>9</sup> that requires the FDOE-approved VIP providers to publish student-teacher ratios and other instructional information in all contracts negotiated pursuant to the applicable section of State law. Further, the District did not establish student-teacher ratio thresholds for the contracted VIP classes to allow for evaluations of the reasonableness of such ratios. Absent the establishment of such ratios or ratio thresholds in the contracts, the number of students in the VIP classes may exceed the District's expectation and the District's ability to monitor the quality of the provider's virtual instruction may be limited.
- The contracts did not include data quality requirements. Providers are to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.<sup>10</sup> 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 the

<sup>8</sup> Section 1002.45(4), Florida Statutes.

<sup>9</sup> Section 1002.45(2)(a)8., Florida Statutes.

<sup>10</sup> Section 1008.31, Florida Statutes.

provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to providers.

- One contract did not include requirements for the provider to implement, maintain, and use appropriate, administrative, technical, or physical security measures, to the full extent required by Federal law<sup>11</sup> to maintain the confidentiality of education records. Also, neither contract specified the minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. Without specified minimum required security controls, there is an increased risk that provider information security and other information technology controls may not be sufficient to protect the education data.
- Neither contract provided for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

**Recommendation: The District should ensure that VIP provider contracts include the provisions necessary to ensure statutory compliance, such as agreed-upon student-teacher ratios, and to promote quality instruction and education data integrity.**

### **Finding 7: Virtual Instruction Options**

State law<sup>12</sup> requires school districts, under certain conditions, to provide students the option of participating in VIPs. Under such option, 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 State law, school districts that are not considered to be in sparsely populated counties must provide students with at least three options to participate in part-time or full-time virtual instruction. As the District is not in a sparsely populated county, the District must offer three virtual instruction options for all students.

District records evidenced that the District provided at least three virtual instruction options for grades 9 through 12; however, the District only offered one full-time option for students in kindergarten through grade 5 and two full-time options for students in grades 6 through 8. Also, the District did not offer students in kindergarten through grade 8 the opportunity to participate in part-time virtual instruction. As a result, the District did not provide all students at least three virtual instruction options. According to District personnel, the District misunderstood the VIP participation option requirements in State law.

**Recommendation: The District should ensure that students are offered the number of VIP options required by law.**

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<sup>11</sup> The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

<sup>12</sup> Section 1002.45(1)(b), Florida Statutes.

## Finding 8: Written Parental Notifications

State law<sup>13</sup> requires each school district to provide information to parents and students about a student's right and choice to participate in a VIP. In addition, State law<sup>14</sup> requires the District to provide parents with timely, written notifications of open enrollment periods for its VIP.

For the 2014-15 school year, District personnel indicated that there were several communication methods used to provide information about the District's VIP to parents and students. These communication methods included press releases, VIP brochures distributed at school sites and community events, and information posted on the District's Web site. While these methods demonstrate District efforts to communicate with parents and students about the VIP, District records did not evidence that the District provided written notifications directly to parents of students regarding the VIP and the VIP open enrollment periods.

District personnel indicated that they believed the above communication methods satisfied State law. However, without direct notifications, timely provided in writing to parents, some parents may not be informed of available VIP options and open enrollment periods, potentially limiting student access to virtual instruction. Such direct notifications could be made in writing by letter or e-mail.

**Recommendation: The District should ensure that parents are timely and directly notified in writing about student opportunities to participate in the District's VIP and open enrollment period dates.**

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

*The District indicates in the written response that students will hand deliver a notification letter to parents, informing them of the VIP and VIP open enrollment periods. However, as the letter will not be directly provided to the parents by the District, some parents may not receive the information, potentially limiting student access to virtual instruction.*

## Finding 9: Provider Background Screenings

State law<sup>15</sup> requires VIP providers to conduct background screenings for all employees as a condition of approval by the FDOE as a VIP provider in the State. The FDOE process for approving VIP providers requires applicants to submit assurances that applicant employees have obtained the required background screenings and the required assurances indicate that lists of the background-screened employees are to be provided to each applicable school district. However, the District's two contracted FDOE-approved VIP providers did not provide the District a list of provider employees that obtained the required background screenings and District personnel indicated that they relied on the providers to obtain the required background screenings of the provider employees.

To determine whether required background screenings had been performed timely for VIP provider employees, we requested the District to provide records, as of March 2015, for 53 VIP provider employees selected for testing. Subsequent to our inquiry in March 2015, the District obtained the

<sup>13</sup> Section 1002.45(10), Florida Statutes.

<sup>14</sup> Section 1002.45(1)(b), Florida Statutes.

<sup>15</sup> Section 1002.45(2)(a)3., Florida Statutes.

required background screenings from one provider for its 5 employees and the required background screenings from the other provider for 35 of its 48 employees but continued to lack screenings for the remaining 13 employees.

As similarly noted in Finding 1, absent effective controls to ensure that background screenings of VIP provider employees are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be interacting with students. In addition, individuals with unsuitable backgrounds may be granted access to confidential or sensitive District data and information technology resources.

**Recommendation: The District should routinely verify that the required background screenings are performed for all VIP provider employees.**

## INFORMATION TECHNOLOGY

### Finding 10: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees 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 inconsistent with their assigned responsibilities. Periodic reviews of assigned IT access privileges are necessary to ensure that employees and contractors can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible responsibilities.

Our review of selected access privileges to the District's network; business application, including finance and human resources; and the business application's supporting infrastructure disclosed some access privileges that were unnecessary or that permitted employees and contractors to perform incompatible functions. Specifically, we found that:

- Twenty database user accounts were granted administrator privileges to the database supporting the District's business application. Administrator access privileges need to be limited to those employees with responsibilities, or active accounts with functions, that include installation, configuration, maintenance, and security of the database.
- Nineteen user accounts were granted administrator privileges within the District's network domain. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. In addition, the 19 user accounts had administrator privileges for the servers hosting the business application and supporting database. These privileges were no longer necessary for current responsibilities or operations. Limiting the number of user accounts with administrator privileges increases the District's ability to restrict and manage the use of administrator privileges, reducing the risk of compromise and unauthorized hardware, software, or configuration changes.
- A contractor had application security administrator access privileges that were no longer necessary for the contractor's job responsibilities. Security administrator access privileges allow the ability to add new users, change users' access privileges, and modify application profiles.
- The District had not periodically reviewed administrator access privileges for the network and the business application's supporting infrastructure. In response to our inquiry, District management indicated that a review of all administrator accounts was completed in June 2015.

Subsequent to our inquiry, the inappropriate access privileges noted above were removed. Although the District had certain controls (e.g., monthly reports of financial information to the Board and supervisory monitoring of expenditures) that somewhat compensated for the above deficiencies, the existence of unnecessary or inappropriate IT access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. A similar finding was noted in our report No. 2013-068.

**Recommendation: The District should continue efforts to ensure the assignment of appropriate access privileges, periodic review of administrator access privileges, and timely removal or adjustment of any unnecessary or inappropriate access detected.**

#### **Finding 11: Security Controls – User Authentication and Logging and Monitoring of System Activity**

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. Our audit disclosed that certain District security controls related to user authentication 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 and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of data and IT resources may be compromised. A similar finding related to user authentication was communicated to District management in connection with our report No. 2013-068.

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

#### **Finding 12: Security Controls – Physical and Environmental Controls**

Effective physical security controls help ensure that physical access to key IT resources are restricted to only those individuals who need to access to this equipment as part of their job duties. In addition, there should be equipment and procedures in place to protect key computer equipment from damage due to environmental disasters such as fire. A service auditor's report (i.e., SSAE 16 report)<sup>16</sup> provides information and auditor conclusions related to a service organization's controls. Service organizations make service auditor's reports available to user organizations to provide assurances related to the effectiveness of the service organizations' relevant internal controls.

The District had an IT service agreement (agreement) with Sarasota County (County) to utilize available technological capacity in its data center and provide fiber optic security and network services. The agreement with the County requires the County to provide physical security operations; however, the agreement did not contain any requirements for the County to implement, maintain, and use appropriate environmental controls in the event of an environmental disaster, allow for the District to monitor physical

<sup>16</sup> As described by the American Institute of Certified Public Accountants (AICPA), Statement of Auditing Standards for Attestation Engagements No. 16, *Reporting on Controls at a Service Organization* (SSAE No. 16).

security or environmental controls, or to provide an SSAE 16 report. Although the agreement addressed physical security operations, such as restrictions to access the County’s data center, the agreement lacked the minimum required physical security measures the District expected to be in place to protect the confidentiality, availability, and integrity of critical and sensitive data.

According to District personnel, District personnel did not perform any specific monitoring procedures to verify that physical security controls or environmental controls operate effectively at the data center and instead relied on the controls that the County had in place at the data center. District personnel also indicated that the County did not have an SSAE 16 report for the data center operations and were not aware of any other internal or external auditor review of the data center controls. Without agreement provisions that require the County to establish appropriate environmental controls and minimum required physical security measures, and an independent evaluation of the effectiveness of the data center’s physical security and environmental controls, the District has limited assurance that key IT resources will be restricted to only those individuals who need access as part of their job duties, key IT equipment will be protected from environmental disasters, and, in the event of equipment failure, data will be timely restored.

**Recommendation: The Board should consider modifying the IT service agreement to require the County to establish appropriate environmental controls and minimum required physical security measures to protect critical and sensitive data. Also, the District should monitor physical and environmental data center controls or require that the County obtain and provide to the District an annual independent service auditor’s report that addresses the effectiveness of controls.**

## ***PRIOR AUDIT FOLLOW-UP***

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The District had taken corrective actions for findings included in previous audit reports, except as noted in Findings 4, 10, and 11 and shown in Table 1.

**Table 1  
Findings Also Noted in Previous Audit Reports**

<b>Finding</b>	<b>2011-12 Fiscal Year Operational Audit Report No. 2013-068, Finding</b>	<b>2008-09 Fiscal Year Operational Audit Report No. 2010-044, Finding</b>
4	5	Not Applicable
10	10	8
11	15	10

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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

We conducted this operational audit from February 2015 to December 2015 in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. 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. 2013-068.
- 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.

As described in more detail below, 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.

Our audit included the selection and examination of records and transactions. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically 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.

In conducting our audit we:

- Reviewed the District's written information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.
- Reviewed District procedures for maintaining and reviewing access to IT resources. We examined all access privileges over the finance and human resources applications for 10 critical finance functions and 9 critical human resource functions to determine the appropriateness and necessity of the access based on employees' and contractors' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined 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.
- Evaluated procedures to prohibit former employees' access to electronic data files. We selected and examined access privileges for 30 of the 94 former employees who separated from District employment during the period July 1, 2014, through February 20, 2015, to determine whether their access privileges had been timely deactivated.
- Evaluated the District's written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
- Examined the written IT technology service agreement between the Board and Sarasota County (County) for the utilization of available technological capacity in the County's data center and provision of fiber optic and security and network services. We also examined District payments totaling \$620,675 made to the County to determine whether the payments were made in accordance with the terms of the agreement.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Determined whether a written, comprehensive IT risk assessment had been developed to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate comprehensive IT security awareness and training program was in place.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's business system.
- Evaluated procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated the adequacy of written policies and procedures related to security incident response and reporting.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, ready access to the public, and maintenance of minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud

to appropriate individuals. We also examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.

- Applied analytical procedures to determine whether the General Fund total unassigned and assigned fund balance at June 30, 2015, to the fund's revenues was less than the 3 percent specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the reasonableness of, and the ability of the District to make, the District's future debt service payments.
- From the population of \$66.6 million total expenditures and \$50 million transfers made during the 2014-15 fiscal year from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, selected and examined documentation supporting 22 expenditures and 46 transfers totaling \$5,955,395 and \$6,005,966, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- From the population of \$23,308,423 total Workforce Development funds expenditures for the period July 1, 2014, through April 30, 2015, selected and examined documentation supporting 30 expenditures totaling \$1,933,352 to determine whether the District used funds for authorized purposes (i.e., funds were not used to support K-12 programs or District K-12 administrative costs).
- From the population of 2,976 adult general education instructional students reported for 288,710 contact hours, selected and examined District records for 30 students with 1,516 reported contact hours to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- From the population of 11 industry certifications eligible for performance funding that were attained by students during the 2013-14 and 2014-15 fiscal years, selected and examined all 11 certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- Examined District records to determine whether the District provided individuals with a written statement as to the purpose for collecting their social security numbers.
- Examined a total of 65 statements of financial interests for the Superintendent, Board members, Chief Financial Officer, and certain purchasing agents to determine whether the statements of financial interests were appropriately filed pursuant to Section 112.3145, Florida Statutes.
- Examined the District's Web site to determine whether it showed the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted.
- Examined District budget and budget amendment documents to determine whether they were prepared and adopted in accordance with State law and State Board of Education (SBE) rules.
- Reviewed the District's written policies and procedures relating to electronic funds transfers to determine compliance with Section 1010.11, Florida Statutes. We also examined authorized signatures for all banking agreements to determine whether timely changes were made in response to personnel changes.
- Reviewed District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2 preceding fiscal years.
- Examined documentation to determine whether required internal funds audits for the current and 2 preceding fiscal years were timely performed pursuant to SBE Rule 6A-1.087, Florida Administrative Code, and whether the audit reports were presented to the Board.

- Reviewed District policies and procedures and evaluated controls over the transportation parts inventory to determine the adequacy of the District controls for safeguarding transportation parts.
- From the population of 41 District schools with total local food service collections of \$2.8 million, selected 3 schools with local food service collections totaling \$321,584 and examined daily food service collections totaling \$17,787 for 10 days to determine the effectiveness of the District's accounting and recording controls for school food service collections.
- From the population of 6,310 employees compensated a total of \$246,033,765 for the period July 1, 2014, through April 30, 2015, selected and examined District records for 30 employees compensated a total of \$55,431 for a selected pay period to determine the accuracy of the rate of pay and whether supervisory personnel documented review and approval of employee time worked.
- Reviewed District records to determine whether severance payments were made during the 2014-15 fiscal year. We also evaluated the severance pay provisions in the Superintendent's contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- Examined District records to determine whether the Board adopted, in compliance with Section 1012.22(1)(c)4.b, Florida Statutes, a salary schedule with differentiated pay for both instructional personnel and school administrators based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
- Reviewed records for 80 employees from the population of 6,310 employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background checks.
- Examined Department of Highway Safety and Motor Vehicle and District records to assess whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
- Reviewed District policies and procedures to determine whether health insurance was provided only to eligible employees, retirees, and dependents and whether insurance was timely canceled upon an employee's separation from District employment. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of 303 payments totaling \$23,262 paid to employees during the period July 1, 2014 through February 28, 2015, for other than travel reimbursements and payroll payments, selected and examined documentation supporting 12 payments totaling \$5,736 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and not contrary to Section 112.313, Florida Statutes.
- Reviewed District procedures for bidding and purchasing health insurance and the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- From the population of payments totaling \$809,258 during the 2014-15 fiscal year for new software applications, selected and examined one payment totaling \$651,352 to determine whether the District evaluated the effectiveness and suitability of the software application prior to purchase and whether the purchase was made through a competitive vendor selection process. From the population of 449 payments totaling \$4.3 million during the 2014-15 fiscal year for software license renewals, we selected and examined documentation supporting 6 payments totaling \$1.6 million to determine whether deliverables met the terms and conditions of the renewal contracts.

- From the two major construction projects in progress during the 2014-15 fiscal year with contract amounts totaling \$40 million, selected and examined documentation supporting 7 payments totaling \$2.5 million for the period July 1, 2014, through February 28, 2015, to determine whether the payments were made in accordance with contract terms and conditions, District policies and procedures, and provisions of State law and rules.
- Reviewed documentation related to two construction projects with construction costs for the 2014-15 fiscal year totaling \$18.3 million to determine whether the District monitored the construction manager's process for selecting architects and engineers, construction managers, and subcontractors.
- From the population of 13,658 purchasing card (P-card) transactions totaling \$2,834,633 for the period July 1, 2014, through March 31, 2015, selected and examined documentation supporting 30 transactions totaling \$59,236 to determine whether P-cards were administered in accordance with District policies and procedures. We also verified that the District timely canceled the P-cards for the three employees who had been assigned a P-cards and separated from District employment during the period July 1, 2014, through March 31, 2015.
- Determined whether rebate revenues totaling \$51,934 received from the P-card program were allocated to the appropriate District funds.
- Reviewed District policies and procedures related to identifying potential conflicts of interest. For District employees required to file statement of financial interests forms, reviewed Department of State, Division of Corporation, records; statements of financial interests; and District records to identify any potential relationships that represent a conflict of interest with District vendors.
- Examined supporting documentation, including the contract documents, for 30 consultant contracts payments totaling \$732,834, from the population of 180 consultant contracts totaling \$6,494,202 in progress during the 2014-15 fiscal year, to determine whether the District complied with competitive selection requirements and the contracts clearly specified deliverables, timeframes, documentation requirements, and compensation. In addition, we examined the supporting documentation to determine whether the District complied with Section 112.313, Florida Statutes, and had not contracted with its employees for services provided beyond that provided in the salary contract. We also examined these 30 payments' documentation for proper support and compliance with contract terms.
- For the period July 1, 2014, through March 31, 2015, selected and examined documentation related to 30 claims (15 workers compensation claims totaling \$78,389 from the workers compensation claims population totaling \$488,774; and 15 dental claims totaling \$10,498 from the dental claims population totaling \$1,420,212) to determine whether payments were properly supported and in agreement with contracted rates.
- Determined whether the District had adequate policies and procedures for administering the District's Virtual Instruction Program (VIP).
- Reviewed District records to determine whether the District provided the required Virtual Instruction Program (VIP) options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Sections 1002.45(1)(b) and 1002.45(10), Florida Statutes.
- Reviewed District accounting records to determine whether the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(e), Florida Statutes.
- Reviewed District 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 as required by Sections 1002.45(3)(a) and 1002.45(3)(b), Florida Statutes.

- Reviewed student records and District procedures to determine whether the District ensured that VIP students were provided with all necessary instructional materials and, for those eligible students who did not already have such resources in their home, computing resources necessary for program participation as required by Sections 1002.45(3)(c) and 1002.45(3)(d), Florida Statutes.
- From the population of 1,179 students enrolled in the District VIP, selected and examined District records for 30 students to determine whether the students enrolled met the statutory eligibility requirements provided by Section 1002.45(5), Florida Statutes.
- For each of the two FDOE-approved VIP providers that contracted with the District, determined whether the District obtained a list of provider employees and contracted personnel who could interact with students and verified that background screenings were completed in accordance with Section 1012.32, Florida Statutes.
- From the population of 1,179 students enrolled in the District VIP, selected and examined District records for 30 students to determine whether the students met statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Sections 1002.45(6)(a) and 1002.45(6)(b), Florida Statutes.
- Examined the contract documents for the two FDOE-approved VIP providers that contracted with the District to determine whether the contracts contained provisions required by State law, including: (1) a method for resolving conflicts (Section 1002.45(4)(c), Florida Statutes); (2) authorized reasons for contract terminations (Section 1002.45(4)(d), Florida Statutes); (3) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed (Section 1002.45(4)(e), Florida Statutes); and (4) a requirement that the provider comply with Section 1002.45, Florida Statutes. Also, we:
  - Reviewed the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
  - Reviewed contract fee provisions and inquired as to how fees were determined for services rendered.
  - Evaluated District-established controls to determine whether residual VIP funds were restricted and used for the District's local instructional improvement system or other technological tools, as required by law.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## ***AUTHORITY***

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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.



Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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Office of the Superintendent  
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December 10, 2015

Sherrill F. Norman, CPA  
Auditor General  
Office of Auditor General  
111 West Madison Street, Suite G74  
Tallahassee, FL 32399-1450

Dear Ms. Norman:

The following responses are offered with respect to the preliminary and tentative audit findings report issued November 17, 2015, on the operational audit of the Sarasota County District School Board for the fiscal year ended June 30, 2015.

**Finding No. 1:** The District did not always timely perform required background screenings for applicable instructional and noninstructional employees.

**Response:** Human Resources has received additional resources to process past due or fifth year window Level 2 background resubmissions. The District believes that all screenings will be up to date no later than the end of this fiscal year. Additional permanent staff will be requested in the next budget cycle to support the background screening and resubmission process to ensure future compliance.

**Finding No. 2:** Time worked was not reported by District administrative contracted personnel or supported by documentation of supervisory review and approval.

**Response:** The District believes that its current practices and procedures for our administrative employees are adequate and well within the Federal requirements provided by the Department of Labor Wage and Hour Division. Exempt full time employees are not required by law to report their daily hours worked. Annually, the School Board approves an administrative salary schedule that reflects an annual, not daily or hourly, salary. In addition, the District's payroll process includes a timesheet for every active employee. Administrative staff timesheets report only hours that are an exception of expected hours per duty day, i.e. hours not worked. These hours are requested on a certificate of absence form which is approved by the employee's direct supervisor and reported on their timesheet in the appropriate pay period. All administrative timesheets are prepared and reviewed by a cost center's payroll preparer and reviewed and approved by the cost center head and District payroll office through an electronic workflow process. In the narrative to the finding, it states "However, without evidence of time worked and documented supervisory review and approval of administrative contracted employee time worked, there is limited

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assurance that the employee services were provided consistent with Board expectations.” As mentioned previously, every District timesheet is reviewed and approved even if there are no exception hours to report. It is our position that if an administrative timesheet has all appropriate approvals that the approval signifies expected hours were worked during the pay period. The addition of daily hours worked would require the District to incur additional costs of software programming to redesign the administrative timesheet and any associated calculation process changes within the payroll system. The limited additional assurance does not outweigh the anticipated cost to implement this control.

**Finding No. 3:** Controls over transportation inventories needed enhancement.

**Response:** The Transportation department has implemented additional inventory procedures that provide compensating controls to offset the lack of separation of some inventory functions. These compensating controls include reconciliations performed by the department bookkeeper between the inventory system activity and general ledger activity; approval of monthly review and physical inventory adjustments by the garage supervisor; maintenance of work order logs with mechanic signatures verifying receipt for all parts disbursed from inventory; elimination of access by mechanics to the parts room; removal of mechanics from the physical inventory count process; and having the garage supervisor approve all transfers of inventory between transportation warehouse locations.

**Finding No. 4:** As similarly noted in our report No. 2013-068, the District could enhance construction monitoring procedures to ensure subcontractors are competitively selected.

**Response:** The receipt of all bids for any Guaranteed Maximum Price contract shall be monitored and observed by the assigned project manager in the Construction Services Department. The period of receipt of bids shall occur between the hours of 7:00 am and 3:00 pm on the advertised bid day(s). Bids submitted in electronic format shall be filed unopened in a separate folder and then opened in the presence of the school board project manager for future documentation, analysis and verification. The Construction Manager Staff shall insure that all bids are witnessed by a school board project manager who will confirm the receipt and amount of each bid.

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

**Response:** The District plans to follow the Operational Audit recommendation and will develop and maintain comprehensive, written VIP guidelines and procedures which will help ensure compliance with statutory requirements. To address Operational Audit Findings 7, 9 and 10, these procedures will include information to help ensure that contracts with providers include required components, parents receive notification about VIP options, and that all VIP provider employees receive required background screenings. The District expects revised school choice guidelines to go into effect on January 6, 2016.

**Finding No. 6:** VIP provider contracts did not include certain statutorily required and other necessary provisions.

**Response:** The District recognizes that VIP provider contracts are missing several required components. Providers used a FDOE-provided template as a guide when developing these contracts. Since contracts developed by our providers have come under scrutiny in other audits, we expect that future contracts from these providers will be revised to include these components. However, the District will more carefully review future VIP provider contracts to ensure statutory compliance. The Supervisor for School Choice and Charter Schools will lead a review of each provider's contract to ensure they outline appropriate and expected student-teacher ratios, data quality requirements, data security controls, and District monitoring. These required components will also be outlined in the new written policies and procedures.

**Finding No. 7:** The District needs to make procedural enhancements to ensure that the District offers the required number of VIP options.

**Response:** District staff have begun a search for State-approved virtual program providers in order to expand the virtual options available to students. The District recognizes that it must offer two additional full-time options to students in grades kindergarten through grade 5 and one additional full-time option to students in grades 6 through 8, as well as a part-time option for students in kindergarten through grade 8. Once appropriate vendors have been identified, the District will request those potential vendors to provide proposals for offering the required services in Sarasota County.

**Finding No. 8:** The District could enhance procedures to better ensure that timely, written notifications are provided to parents about all VIP options offered.

**Response:** The District has drafted a letter to be sent directly to parents, informing them of the VIP and the VIP open enrollment periods. We expect this letter to be hand delivered to parents by students beginning December 14, 2015 through December 18, 2015. Sending this notification letter will become an annual activity to ensure all parents are aware of VIP options in the District. Information about the letter's contents and timing will be included in the new written policies and procedures.

**Finding No. 9:** District records did not evidence that VIP provider employees were subject to required background screenings.

**Response:** Included in the new written policies and procedures will be a requirement that all VIP providers supply the District with the background screenings for every VIP worker instructing Sarasota's VIP students. The District also will require that this stipulation be included in future contracts with VIP providers. District personnel will request this information prior to the start of school each year and VIP providers will be required to provide background screenings on any potential new VIP instructors before they are permitted to provide instruction to Sarasota students. The Supervisor for School Choice and Charter Schools will monitor compliance by VIP providers.

**Finding No. 10:** As similarly noted in our report No. 2013-068, some unnecessary or inappropriate information technology (IT) access privileges existed.

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**Response:** Access privileges to the District's business application and network are reviewed on an annual basis by each cost center head at district schools and departments. A report is provided to each cost center head detailing the system access currently available to each of their employees. The cost center head also receives a document explaining the various security roles and access levels to ensure they understand the system access they are approving. The cost center head reviews the report for appropriateness of access and requests any changes/deletions/additions at that time. Once their review is complete, the cost center head signs off on the report and returns it to IT. A cost center head may also make changes/deletions/additions throughout the year by completing the appropriate documentation for making such modifications.

**Finding No. 11:** District security controls related to IT user authentication and logging and monitoring of system activity need improvement. Similar findings were communicated to District management in connection with our report No. 2013-068.

**Response:** Security controls for user authentication, logging, and monitoring of system activity are being analyzed based on the results of this audit to implement solutions for improved oversight into the identified deficiencies. The results of the analysis will guide the solutions employed to ensure the utmost confidentiality, integrity, and availability of District data and IT network resources.

**Finding No. 12:** District procedures did not require a service auditor's report or otherwise monitor controls for its contracted data center provider.

**Response:** Security controls for physical and environment controls at the data center are currently being discussed with Sarasota County Government's Information Technology Department in response to the recommendations from this finding. The next renewal of the agreement between the District and the County will address the needs the District has to be in accordance with environmental controls and physical security measures to the critical and sensitive data of the District.

As always, we appreciate the opportunity for review of our operational program procedures and wish to thank the Auditor General's staff for their professional and courteous manner in which they conducted the Operational Program audit.

If you need additional information, please feel free to contact Mitsi Corcoran, Chief Financial Officer at (941) 927-9000 ext. 31300 or via e-mail at [mitsi.corcoran@sarasotacountyschools.net](mailto:mitsi.corcoran@sarasotacountyschools.net). We look forward to the release of the final audit report, but do reserve the right to appeal as we deem appropriate.

Sincerely,



Lori White  
Superintendent

cc: Mitsi Corcoran, Chief Financial Officer

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