

**SARASOTA COUNTY**  
**DISTRICT SCHOOL BOARD**

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**Operational Audit**

For the Fiscal Year Ended  
June 30, 2009



## BOARD MEMBERS AND SUPERINTENDENT

District School Board members and the Superintendent who served during the 2008-09 fiscal year are listed below:

	<u>District No.</u>
Dr. Carol Todd	1
Caroline Zucker, Vice Chair to 11-17-08, Chair from 11-18-08	2
Frank H. Kovach	3
Shirley Brown, Vice Chair from 11-18-08	4
Dr. Kathy Kleinlein, Chair to 11-17-08	5

Lori White, Superintendent

The audit team leader was Becky D. Grode, CPA, and the audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the audit team leader was Amanda B. Fazio, CPA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

**SARASOTA COUNTY**  
District School Board

**SUMMARY**

Our operational audit for the fiscal year ended June 30, 2009, disclosed the following:

**Finding No. 1:** Improvements could be made in monitoring workers' compensation expenses paid by the District's third party administrator.

**Finding No. 2:** The District had not developed policies for communicating and reporting known or suspected fraud.

**Finding No. 3:** Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

**Finding No. 4:** The District could enhance the monitoring of insurance for charter schools sponsored by the District.

**Finding No. 5:** Improvements were needed in controls over the reporting of instructional contact hours for adult general education to the Florida Department of Education.

**Finding No. 6:** The District did not separately account for capital outlay tax levy transactions by fiscal year.

**Finding No. 7:** The District lacked written policies and procedures for certain information technology (IT) functions.

**Finding No. 8:** District staff had not removed the access privileges of certain former employees in a timely manner and had not effectively restricted the application access privileges of some other employees.

**Finding No. 9:** The District had not implemented a comprehensive security awareness training program to protect IT resources.

**Finding No. 10:** Certain controls related to user authentication and network security needed improvement.

**BACKGROUND**

The Sarasota County District School Board (District) is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Sarasota County. The governing body of the Sarasota County District School Board (School Board) is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the School Board.

During the audit period, the District operated 45 elementary, middle, high, and specialized schools; sponsored 9 charter schools; and reported 41,073 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, 2009, will be presented in a separate report.

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## FINDINGS AND RECOMMENDATIONS

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### Finding No. 1: Self-Insurance – Workers’ Compensation Claims Monitoring

Pursuant to Section 1011.18(6), Florida Statutes, the District contracted with a third party administrator (TPA) to administer its workers’ compensation program including the processing, investigating, and payment of claims. During the 2008-09 fiscal year, the District had expenses, totaling \$1.7 million, for workers’ compensation claims. Our review disclosed that the District could improve internal controls over the claims payments process, as noted below:

- Our review disclosed that the District had performed a review of claims documentation for workers’ compensation coverage for the 2007-08 fiscal year and plans to perform a review of claims documentation for the 2008-09 fiscal year. However, District personnel did not obtain from their TPA a service organization report as described in *Statement on Auditing Standards No. 70 (SAS 70)* as promulgated by the American Institute of Certified Public Accountants. A SAS 70 (service organization) report is a report on the suitability of internal control policies and procedures placed in operation to achieve specified control objectives and tests of operating effectiveness for a service organization. According to District correspondence and our inquiries, the TPA did not obtain a SAS 70 report because the TPA was in the process of implementing a new software system and updating its internal control procedures. A similar finding was noted in our report No. 2007-030.
- Our tests of claims documentation for 15 payments, totaling \$79,973, disclosed the following:
  - For five claim payments, totaling \$13,775, the TPA had overpaid \$3,961, due to using outdated contracts or incorrect codes from fee schedules. According to District personnel, the TPA is assisting the District to recover the overpayments.
  - The District could not provide evidence, such as invoices or other records, to support one claim payment, totaling \$5,998. Subsequent to our inquiry, the TPA indicated that this was underpaid by \$13,702; however, the District could not provide evidence to support the amount (\$19,700) represented by the TPA.
  - Our review of District records, such as hospital billings and other records, disclosed that the TPA overpaid one claim payment by \$411, and the District could not provide invoices to support part of the claim, totaling \$3,326.
  - Generally, the TPA establishes fee agreements with medical providers, such as hospitals and clinics, to set fees for medical services; however, the District was unable to provide a copy of the fee agreement to support the payment of a medical provider claim, totaling \$7,454.

While we were able to satisfy ourselves that the potential financial impact of the above exceptions would not have a material effect on the District’s financial statements, our procedures do not substitute for the District’s responsibility to establish adequate controls over workers’ compensation claim expenses. Subsequent to our review, the District indicated it would contract with a firm to audit claims payments paid by the TPA.

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**Recommendation:** The District should continue its efforts to effectively monitor workers’ compensation claims payments processed by the service agent. Such procedures could include requiring that the service agent provide, through independent auditors, service organization reports covering internal controls over the processing of claims payments. In addition, the District should make efforts to correct the exceptions cited above, including taking action to recover any overpayments.

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**Finding No. 2: Policies for Reporting Fraud**

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The District had not developed policies for communicating and reporting known or suspected fraud. Such policies should clearly identify actions constituting fraud, incident reporting procedures, responsibility for fraud investigation, and consequences for fraudulent behavior. Fraud policies are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies serve to establish the responsibilities for investigating potential incidents of fraud, taking appropriate action, reporting evidence of such action to the appropriate authorities, and avoiding damage to the reputation of persons suspected of fraud but subsequently found innocent. Further, in the absence of such policies, the risk increases that a known or suspected fraud may not be identified or reported to the appropriate authority.

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**Recommendation:** To aid in the detection and prevention of fraud, the District should develop policies for communicating and reporting known or suspected fraud.

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**Finding No. 3: Collection of Social Security Numbers**

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The Legislature acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against the individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires the District to provide a copy of the written statement indicating the purpose for collecting the number to the individual from whom the number is obtained and SSNs may not be used by the District for any purpose other than the purpose provided in the written statement.

The District collects SSNs from employees and students for various reasons such as record keeping and tax related purposes. Our review disclosed that the District prepared written statements notifying employees of the purpose for collection of the numbers. However, no such procedures had been established for the collection of SSNs from prospective employees and students. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

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**Recommendation:** The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes, and properly notify individuals of the need for and use of social security numbers.

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**Finding No. 4: Monitoring of Charter Schools**

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Improvements are needed in District procedures for monitoring insurance coverage for its charter schools. During the 2008-09 fiscal year, the District sponsored nine charter schools and agreements with the schools required the District to obtain evidence of insurance for general liability, automobile liability, workers' compensation, errors and omissions, and building and property damage insurance, with specified limits of coverage. Further, the District's

Research Assessment & Evaluation, School Improvement, and Choice & Charter Schools Department is responsible for monitoring the charter schools' compliance with the insurance requirements. While our review disclosed that the District generally maintained evidence of the required insurance coverage for the charter schools, we noted the following exceptions:

- Three charter schools (Imagine School at North Port, Sarasota Suncoast Academy, and Suncoast School for Innovative Studies) did not provide evidence of property insurance coverage, although the charter schools' financial statements indicated that capital assets existed which needed protection from loss by theft or damage.
- District records did not evidence that Suncoast School for Innovative Studies charter school maintained errors and omissions insurance coverage.

Without District records to evidence the required insurance coverage for the charter schools, the District may be subject to potential liability in the event uninsured claims occur at the charter schools. Subsequent to our inquiry, District personnel indicated that evidence of insurance would be obtained from the charter schools for the 2009-10 fiscal year. A similar finding was noted in our report No. 2007-030.

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**Recommendation: The District should enhance procedures to ensure that its charter schools maintain insurance as required in the charter school agreements.**

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**Finding No. 5: Adult General Education Courses**

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Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2008-152, Laws of Florida, Paragraph 120, states that from the funds provided in Specific Appropriation 9A and 120, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

The District reported 626,271 adult general education hours to FDOE. Our tests of 3,809 hours reported to FDOE for 12 students enrolled in 21 adult general education classes disclosed that improvements in controls over enrollment reported were needed as follows:

- The District overreported 1,527 hours for four students who were in six classes, and indicated that it was unable to determine the reason(s) for the overreported hours.
- To properly report hours for students who change classes, begin after the start date, or withdraw before the scheduled end date, adjustments generally have to be made. However, for two classes, the District did not reduce the hours reported for one student who registered for an all day class but changed to a half-day class for fall and spring terms, resulting in 359 hours overreported. In addition, for four classes, the District did not reduce the hours reported for three students who began after the class start date or withdrew prior to the end date, resulting in 88 hours overreported.

Given the exceptions cited above, the full extent of the course hours overreported was not readily apparent. Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be submitted correctly and be accurately presented in FDOE's records.

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**Recommendation: The District should enhance its controls over the reporting of instructional contact hours for adult general education courses to the Florida Department of Education.**

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**Finding No. 6: Ad Valorem Taxation**

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Section 1011.71, Florida Statutes, provides that each school board may levy against the taxable value not more than 1.75 mills for capital outlay purposes. Further, Section 200.065(10)(a), Florida Statutes, imposes requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of such tax levy and to specify in the required notice of tax levy the projects to be funded.

During the 2008-09 fiscal year, the District accounted for all capital outlay tax levy transactions for current and previous year levies, along with certain State and local proceeds such as fuel tax refunds and energy rebates, in one capital projects subfund (i.e., local capital improvement fund or LCIF). However, by accounting for the above activities in one subfund, District records did not clearly identify the revenues generated from particular tax levies and how the District used these levies only for allowable projects set forth in the respective tax levy advertisements. Consequently, the risk increases for the District to use such proceeds for projects not appropriately advertised during the school year the taxes were levied, contrary to Sections 1011.71 and 200.065(10)(a), Florida Statutes.

District personnel indicated that there was no need to account for the different fiscal year transactions in separate subfunds due to the manner in which the District spends the proceeds, which is the first-in/first-out method and because many projects continue over the years, as shown in each fiscal year's advertisement. We agree that using a first-in/first-out process would provide a correlation of the tax levy expenditures, revenues, and advertisements when tax levy proceeds and projects remain the same over the years, but typically tax levy advertisements and revenues change over multiyear periods. Also, since the balance in the capital projects subfund does not retain its identification as to when it was collected, expenditures from the subfund are not appropriately correlated in District records to projects advertised during the school year the tax revenues were levied. With tax levy revenues not specifically identified by fiscal year and advertisements differing over the years, District records did not clearly correlate the respective tax levy proceeds and expenditures to specific projects advertised or readily identify that expenditures of individual millage levy proceeds were limited to advertised projects for the respective tax levies.

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**Recommendation:** To enhance the District's accountability and transparency of capital outlay millage transactions and to clearly evidence compliance with statutory requirements relating to these moneys, the District should separately account for these transactions by respective fiscal year tax levy.

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

*In response to Finding No. 6, the District indicates that "Each year all projects that will have appropriations are included in the advertisement. This allows for full compliance with Sections 1011.71 and 200.065(10)(a) of the Florida Statutes." However, the point of our comment is that each year's levy requires its own advertisement, and amendments thereto, if the advertised purposes are changed. In addition, commingling other moneys, such as State and local proceeds, with levy revenues further complicates correlating specific levy collections and uses. While including in the current year's levy advertisement all projects that may be funded with the proceeds of the current year levy and any remaining proceeds of previous years' levies does provide a comprehensive list of current projects, this approach does not provide for tracking the expenditures by individual fiscal year's levy and the identification of changes in the uses of the proceeds for individual fiscal years' levies.*

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**Finding No. 7: Information Technology - Written Policies and Procedures**


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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 lacked written policies and procedures for the following IT functions:

- Administering network user identification codes (IDs), including creation, modification, and review; and revocation of access privileges for terminated or transferred employees, consultants, and vendors.
- Monitoring and limiting administrative actions on user workstations.
- Resetting user passwords, including positive identification of the user.
- Logging and review of changes to sensitive or critical tables, files, or transactions, including retention periods for logs.
- Authorizing, testing, and approving changes to application systems, including emergency changes.

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.

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**Recommendation: The District should establish written policies and procedures to document management's expectations for the performance of the above-listed IT functions.**

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**Finding No. 8: Information Technology – Access Controls**


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Effective access controls provide users access to data and IT resources based on the user's demonstrated need to view, change, or delete data and restrict users from performing incompatible functions. Access controls should also include provisions for the timely removal of employee access privileges when employees terminate. Prompt action is necessary to ensure that a former employee's access privileges are not misused by the former employee or others.

The District did not remove the access privileges of certain former employees in a timely manner. One of 22 user IDs included in our tests remained active in the Finance application for 106 days after the employee's separation date. Without timely deletion of former employee's access privileges, the risk is increased that access privileges could be misused by the former employee or others.

We also reviewed selected access privileges within the finance and human resources application and determined that 10 of 56 employees were assigned access privileges that were not needed to fulfill their job responsibilities or did not enforce an appropriate separation of duties. If access privileges are not restricted based on the responsibilities of the user, the risk of unauthorized or erroneous disclosure, modification, or destruction of District data and IT resources is increased.

Similar findings were noted in our report No. 2007-030.

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**Recommendation: The District should promptly remove the access privileges of former employees and restrict user access for other employees to only the data and IT resources necessary to accomplish their assigned job responsibilities.**

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**Finding No. 9: Information Technology - Security Awareness Training Program**

A comprehensive security awareness training program apprises new users of, and reemphasizes to current users, the importance of preserving the confidentiality, integrity, and availability of data and IT resources entrusted to them. Significant nonpublic records (e.g., student record information and other records that contain sensitive information) are included in the data maintained by the District’s IT systems. Although the District provided security awareness training during new employee orientation and required vendors to sign a standard agreement, the District had not established a written security awareness training program, performed ongoing security awareness training to remind all who use the District’s computer system of their security responsibilities, or required all employees to sign annual acknowledgements of security responsibilities. The lack of a comprehensive security awareness training program increases the risk that the District’s IT resources could be intentionally or unintentionally compromised by users while performing their duties. Similar findings were noted in our report Nos. 01-128, 2004-201, and 2007-030.

**Recommendation:** The District should promote security awareness through a comprehensive training program to ensure that all employees are aware of the importance of information handled and their responsibilities for maintaining its confidentiality, integrity, and availability. Additionally, the District should require all employees to acknowledge in writing their understanding and acceptance of security-related responsibilities on an annual basis.

**Finding No. 10: Information Technology - User Authentication and Network Security**

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain controls related to user authentication and network security 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, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

**Recommendation:** The District should implement appropriate controls related to user authentication and network security to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2007-030.

**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 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: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in our report No. 2007-030. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2008-09 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing District personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the District’s compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**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
Fraud policy and related procedures	Examined written policies and procedures, and examined supporting documentation relating to the District’s fraud policy and related procedures.
Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes)	Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements.
Financial condition	Applied analytical procedures to determine whether General Fund unreserved fund balance at June 30, 2009, was less than 3 percent of General Fund revenues.
Procedures for monitoring charter schools insurance coverage	Interviewed District personnel and reviewed supporting documentation to determine if the District effectively monitored that charter schools were in compliance with the contract provisions regarding insurance coverage.
Restrictions on use of nonvoted capital outlay tax proceeds	Tested payments made from nonvoted capital outlay proceeds and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay proceeds.
Procedures for insuring architects and engineers	Tested significant or representative major construction projects in progress to determine whether architects and engineers engaged had evidence of required insurance.
Restrictions on use of Workforce Development funds	Tested Workforce Development payments to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Adult general education program enrollment reporting	Tested adult education students from FDOE records and examined supporting documentation at the District to determine whether the District reported instructional and contact hours in accordance with 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 social security numbers.
Procedures for issuing diplomas	Tested diploma recipients and examined supporting documentation evidencing that the recipients were eligible to graduate.
Requirements for fingerprinting and background checks for personnel that had direct contact with students	Tested District personnel who had direct contact with students and examined supporting documentation to determine whether the District had obtained required fingerprint and background checks for the individuals included in our test.

**EXHIBIT A (Continued)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Monitoring of self-insurance claims payments	Reviewed District procedures to determine if a service organization report was obtained for the District's service agent. Tested self-insurance claims payments to determine the accuracy of payments made by the service agent.
Procedures for monitor purchasing card transactions	Tested expenses charged by employees using purchasing cards and examined supporting documentation to determine whether selected transactions were effectively monitored and represented proper expenditures of the District.
Procedures for monitoring cellular telephone usage	Reviewed District policies and procedures for the issuance and monitoring of the use of cellular telephones.
Information technology (IT) policies and procedures	Inspected the District's written IT policies and procedures to determine whether they addressed certain important IT control functions.
Security awareness training program	Examined supporting documentation relating to the District's IT security awareness training program.
Program change management procedures	Reviewed documentation that supported the District's change management methodology for requesting, approving, and implementing system changes related to IT resources.
Procedures for authorizing access to IT resources	Reviewed documentation to determine the District's process for requesting, approving, implementing, and removing system access to IT resources. Tested selected access privileges granted to determine whether the District properly granted network and application access in relation to employees' job functions.
Security administration	Reviewed selected IT security administration controls. Examined supporting documentation evidencing that background screenings were performed for employees in District-designated positions of special trust.
Procedures to timely prohibit former employee access to electronic data files	Tested former employees who separated from service during the audit period to determine whether access privileges were appropriately revoked.
IT authentication controls	Examined supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
Audit logging and monitoring	Examined supporting documentation to determine whether audit logging and monitoring controls were configured and enforced in accordance with IT best practices.

**EXHIBIT B**  
**MANAGEMENT'S RESPONSE**



THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
**OFFICE OF THE SUPERINTENDENT**  
1960 Landings Boulevard Sarasota, Florida 34231  
Telephone: (941) 927-9000 Fax: (941) 927-2539  
Email: lori\_white@sarasota.k12.fl.us

October 26, 2009

David W. Martin, CPA  
Auditor General, State of Florida  
G74 Claude Pepper Building  
Tallahassee, Florida 32399-1450

Dear Mr. Martin,

Pursuant to Section 11.45(4)(d), Florida Statutes, enclosed please find the School Board of Sarasota County, Florida responses to your preliminary and tentative audit findings and recommendations which may be included in a report prepared on our operational audit for the fiscal year ended June 30, 2009.

In particular, the District takes issue with Audit Finding No 6: Ad Valorem Taxation. The recommendation to create separate funds every fiscal year in order to be in compliance with statutory requirements would be cumbersome and confusing to District staff who utilize these resources. The District feels confident it can prove, at any time, that it is in complete compliance with all statutory requirements over the accounting of this tax levy.

If you have any questions or need further clarification, please do not hesitate to contact myself or Mitsi Corcoran, Chief Financial Officer at (941) 927-9000 ext. 31300.

Sincerely,

A handwritten signature in black ink that reads "Lori M. White".

Lori M. White  
Superintendent

**Finding No. 1: Self-Insurance – Workers' Compensation Claims Monitoring**

**Response:** The district conducted a claims review for 2008-2009 and found no material deficiencies in the test sample.

The TPA has delayed obtaining a SAS 70 report in the past due to its desire to wait until its system upgrades were fully implemented. The full implementation of their system conversion continues to be behind schedule. Therefore, OptaComp has committed to undertaking a SAS 70 audit for the CY ending December 31, 2010, regardless of the status of their system implementation.

The district engaged Aon Consulting on September 9, 2009, to perform an independent workers' compensation healthcare claims / bills audit. The audit is ongoing and the findings are not yet available.

The TPA has admitted that there were errors made as a result of miscommunication between the OptaComp [workers' compensation] side of the business and the Blue Cross Blue Shield medical re-pricing units. Changes in staff and multiple provider contracts resulted in the use of the wrong procedure codes on the wrong provider contract fee arrangements. The TPA has reassigned management and changed the work flow following a review by their internal audit department. They have also agreed to reimburse the district for any overpayment they are unable to recover.

**Finding No. 2: Policies for Reporting Fraud**

**Response:** The District will develop and include in the rules of the School Board a policy to aid in the detection and prevention of fraud which will include scope, policy, actions constituting fraud, other inappropriate conduct, investigation responsibilities, confidentiality, reporting procedures, termination and administration as recommended by the Association of Certified Fraud Examiners.

**Finding No. 3: Collection of Social Security Numbers**

**Response:** We will immediately put in motion the appropriate activities to insure that our policy governing the collection of social security numbers will incorporate perspective employees and students, both of which will be afforded a timely notification of collection and purpose.

**Finding No. 4: Monitoring of Charter Schools**

**Response:** The district has implemented new procedures for the evaluation of insurance coverage of charter schools. The district's Risk Manager will annually review the insurance documentation submitted by charter schools for compliance with charter requirements. In addition, charter schools have been asked to submit documentation of insurance coverage in a standardized manner for ease in evaluating the coverage.

An Equal Opportunity / Affirmative Action Agency

**Finding No. 5: Adult General Education Courses**

**Response:** Review by the Adult Education Staff of Sarasota County determined the cause for the over reporting of the four students indicated in the audit. In each case it appears that the student either decreased their number of hours of attendance (i.e. went from a full time to part time student) or changed their adult education class (i.e. moved from ESOL to GED). In these cases students were registered in the new programs without being properly withdrawn from the old thereby dramatically increasing the number of reported hours.

**Solution 1:** Clerical staff at the Adult Education Office will be trained to red flag the files of any student who changes their hours of instruction or changes programs. These files will be reviewed by a supervisor who will check with IT for accuracy before the files are completed.

**Solution 2:** The IT department will put in place reporting mechanisms that will capture suspect hours. IT will provide a report four times per year to the adult education office. The reports will be generated prior to the districts submission of AGE survey data to DOE. This report will show students enrolled in all adult education courses whose instructional hours appear to be excessive based on DOE's reporting requirements. The adult education office will review files of students who appear to have excessive hours and make changes as needed.

**Finding No. 6: Ad Valorem Taxation**

**Response:** The Sarasota County School Board disagrees that funds levied pursuant to Sections 1011.71 and 200.065 (10) (a) of the Florida Statutes are not appropriately correlated in District records to projects advertised. Each year all projects that will have appropriations are included in the advertisement. This allows for full compliance with Sections 1011.71 and 200.065 (10) (a) of the Florida Statutes. Since 2004 the Sarasota County School Board has received both the Association of School Business Officials International Certificate of Excellence in Financial Reporting and the Government Financial Officers Certificate of Achievement for Excellence in Financial Reporting. None of our current accounting procedures have changed and prior audits have never had an issue with our procedures including prior audits by the Florida Auditor General's Office.

**Finding No. 7: Information Technology - Written Policies and Procedures**

**Response:** The District will establish written policies and procedures for all Information Technology functions. A department wide initiative is underway this year to define IT policies, procedures and best practices for internal operations and those who utilize our networks and communications within the school district. Estimated completion date: 7/1/10

**Finding No. 8: Information Technology – Access Controls**

**Response:** With the implementation of CrossPointe.net (current target: December 2009), we will incorporate procedures to ensure proper segregation of duties are defined for all personnel accessing financial information and documented processes by which employees no longer with the district are removed. Estimated completion date: 2/1/10

**Finding No. 9: Information Technology – Security Awareness Training Program**

**Response:** The District will devise a Security Awareness Training Program and policy by which all employees are reminded of their security responsibilities and annual acceptance of their usage. Estimated completion date: 7/1/10

**Finding No. 10: Information Technology – User Authentication and Network Security**

**Response:** The District will implement appropriate controls related to user authentication and network security to ensure the continued confidentiality, integrity and availability of District data and IT resources. Estimated completion date: 7/1/10