

**INDIAN RIVER COUNTY
DISTRICT SCHOOL BOARD**

Operational Audit



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2012-13 fiscal year are listed below:

	<u>District No.</u>
Karen Disney-Brombach	1
Jeffrey Pegler, Chair to 11-19-12	2
Matthew McCain,	3
Carol Johnson, Vice Chair to 11-19-12, Chair from 11-20-12	4
Claudia Jiménez, Vice Chair from 11-20-12	5

Frances J. Adams, Ed.D, Superintendent

The audit team leader was Bevohn T. Dougall, CPA, and the audit was supervised by Tim L. Tucker, CPA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2863.

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

INDIAN RIVER COUNTY

District School Board

EXECUTIVE SUMMARY

Our audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

ADULT GENERAL EDUCATION

Finding No. 2: The District needed to strengthen its controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

INFORMATION TECHNOLOGY

Finding No. 3: The District did not timely deactivate information technology network, operating system, and application access privileges of some former employees.

BACKGROUND

The Indian River County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Indian River County. The governing body of the District is the Indian River County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board.

During the 2012-13 fiscal year, the District operated 25 elementary, middle, high, and specialized schools; sponsored five charter schools; and reported 17,790 unweighted full-time equivalent students.

The results of our audit of the District’s financial statements and Federal awards for the fiscal year ended June 30, 2013, will be presented in a separate report

FINDINGS AND RECOMMENDATIONS

Personnel and Payroll

Finding No. 1: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)4.b., Florida Statutes, provides that, for instructional personnel, the Board must provide differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures establishing the documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such policies and procedures could specify the prescribed factors to be used as the basis for determining differentiated pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

On August 13, 2013, the Board adopted a policy to provide a framework for compliance with the differentiated pay law, and District personnel are in the process of writing procedures that support the new Board policy. District personnel indicated that, pursuant to Section 1012.22(5), Florida Statutes, the Board plans to have a performance salary schedule by July 1, 2014, for the 2014-15 fiscal year. Without a Board-established documented process for determining which instructional personnel are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2012-036 and 2013-050.

Recommendation: The Board should establish a documented process for identifying instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Adult General Education

Finding No. 2: Adult General Education Classes

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State’s workforce. The District received State funding for adult general education, and proviso language in Chapter 2012-118, Laws of Florida, Specific Appropriation 106, required that each school district report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures.

FDOE procedures stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. FDOE procedures also provided that school districts develop a procedure for withdrawing students for nonattendance and that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last date of attendance.

For the 2012-13 fiscal year, the District reported to the FDOE 83,706 instructional contact hours for 953 students enrolled in 4,175 adult general education classes. Our review of 1,982 hours reported for 37 students enrolled in 223 adult general education classes disclosed contact hours were over-reported by 328 hours for 25 students enrolled in 172 classes. Attendance records indicated that 16 of the 25 students had actual contact hours less than 12 hours; however, hours reported for each of these students was more than 12 hours. The remaining 9 students had contact hours reported for more than one term but, according to attendance records, did not attend classes for more than one term. District personnel indicated that reporting errors occurred mainly because of a programming error. Given the number of errors, the full extent of the class hours misreported was not readily available.

Since future funding may be based, in part, on enrollment data reported to the FDOE, it is important that the District reports data correctly.

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

Information Technology

Finding No. 3: Timely Deactivation of Access Privileges

Effective information technology (IT) access controls include provisions for the timely deactivation of employee IT access privileges when an employee is reassigned or terminated. As certain critical application systems and confidential or sensitive information stored within individual users' documents are accessible through the District's network, prompt action is necessary to ensure that IT access privileges are not misused by former employees or others to compromise data or IT resources.

The District provided employees the ability to logon to District computers, e-mail, and other information using network accounts, and employees had access to computer operating systems, which enabled them to run application programs on District computers. The District used a program that scans the human resource (HR) system for employment termination dates and automatically removes network account access privileges of former employees. In addition, this program produced a report used by the IT department to manually remove operating system and application access privileges from former employees. However, our test of 273 former employees who terminated employment during the 2012-13 fiscal year disclosed that the network, computer operating systems and applications access privileges of 4 former employees remained active for 59 to 383 work days after termination of employment.

In response to our inquiry in August 2013, District personnel deactivated the access privileges of the 4 former employees. Also, District personnel indicated that the District is currently undergoing a change in its user account software system, which should be fully functional later in the 2013-14 fiscal year. When access privileges of former employees are not timely deactivated, the risk is increased that access privileges may be misused by the former employees or others. Similar findings were noted in our report Nos. 2012-036 and 2013-050.

Recommendation: The District should continue its efforts to ensure that access privileges of former employees are timely deactivated.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-050. The following table provides information on District recurring audit findings:

Current Fiscal Year Finding Numbers	Operational	
	2011-12 Fiscal Year Audit Report and Finding Numbers	2010-11 Fiscal Year Audit Report and Finding Numbers
1	Audit Report No. 2013-050, Finding No. 1	Audit Report No. 2012-036, Finding No. 2
3	Audit Report No. 2013-050, Finding No. 4	Audit Report No. 2012-036, Finding No. 9

Note: Above chart limits recurring findings to two previous audit reports.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2013 to September 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management’s control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2013-050.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

For those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing,

overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

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

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

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information Technology (IT) access privileges and separation of duties.	Tested selected access privileges over the database and finance and human resources applications to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties. Tested administrator account access privileges granted and procedures for oversight of administrator accounts for the network, operating system, database, and application to determine whether these accounts had been appropriately assigned and managed.
Deactivation of employee IT access.	Reviewed procedures to prohibit former employees' access to electronic data files. Tested access privileges for former employees to determine whether their IT access privileges had been timely deactivated.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2013, to the fund's revenues was less than the percents specified in Section 1011.051, Florida Statutes. Analytical procedures were also applied to determine the reasonableness and ability of the District to make its future debt service payments.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and Public Education Capital Outlay funds, were expended in compliance with the restrictions imposed on the use of these resources.
Restrictions on use of Workforce Development funds.	Applied analytical procedures to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the District reported instructional contact hours in accordance with Florida Department of Education requirements.
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Compensation and salary schedules	Determined whether the Board had adopted formal policies and procedures establishing a documented process to identify instructional personnel entitled to differentiated pay based upon District-determined factors, including, but not limited to additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Purchase of software Applications	Determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.
Electronic Payments and Electronic Funds Transfers	Reviewed District policies and procedures relating to electronic funds transfers and vendor payments. Tested supporting documentation to determine if selected electronic funds transfers and payments were properly authorized and supported, and complied with State Board of Education Rule 6A-1.0012, Florida Administrative Code.

EXHIBIT B
MANAGEMENT'S RESPONSE



School District of Indian River County

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Frances J. Adams, Ed.D. - Superintendent

December 1, 2013

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

Dear Mr. Martin:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Indian River County as a result of the audit for the fiscal year ended June 30, 2013. The following are the responses as submitted by the appropriate staff.

Finding No. 1:
Compensation and Salary Schedules

The District concurs with the auditor's position that compensation of instructional personnel is typically subject to collective bargaining. As a result of the finding in Audit Report 2013-050 the District attempted to negotiate with our teacher's union the issue of differentiated pay as required by the Florida Statutes. However, the 2012/2013 contract negotiations resulted in a declaration of impasse by the District and at the time of writing we are awaiting the special magistrate's recommendation. In addition, during the 2012/2013 contract negotiations, the union proposed language at the table to establish a process to determine which instructional personnel would be entitled to receive differentiated pay based on critical shortage. However, subsequent to the declaration of impasse the union withdrew its proposal as one of the impasse items. As a result the district and the union will work collaboratively during the 2013/2014 contract negotiations to address this concern.

Finding No. 2:
Adult General Classes

As noted in the auditor's finding the District indicated that the errors in reporting contact hours were as a result of a computer programming error. The District has subsequently assigned computer programmers from its Information Technology Department (IT) to correct this problem and do not expect any further errors in the future.

"Educate and inspire every student to be successful"

- Karen Disney-Brombach
District 1
- Jeffrey Pegler
District 2
- Matthew McCain
District 3
- Carol Johnson
District 4
- Claudia Jiménez
District 5

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

EXHIBIT B
MANAGEMENT'S RESPONSE (CONTINUED)

Finding No. 3:
Timely Deactivation of Access Privileges

The District concurs with the auditor's finding and as noted the access privileges for the former employees were terminated. The Information Technology Department (IT) is addressing this finding in a variety of ways. As of July 1, 2013, the Department has been reorganized. As part of this reorganization two new positions have been created. These two new positions are the Director of Technology Services and the Network Security Specialist. The Director of Technology Services is responsible for establishing processes and procedures that manage the creation and deletion of account privileges. The Network Security Specialist is responsible for the monitoring of access privileges. In that regard, the process for deactivating application and network accounts is being reviewed and modified to add greater levels of checks and balances to ensure that all access privileges are removed in a timely manner. Reports are being developed that will allow the proper IT staff to monitor the access privileges of all active and terminated employees in order to ensure the privileges are set accordingly. Finally, the Information Technology Department is in the process of replacing an older software system for account and network management. The new system will, in real time, activate/deactivate user access privileges based on internal job codes. The goal of these improvements is to safeguard access to secure information and to improve our internal controls for removing access privileges in a timely manner.

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

Sincerely,



Frances J. Adams, Ed.D.
Superintendent

Cc: School Board Members
Superintendent's Leadership Council