

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-069
December 2016

**CLAY COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Charles E. Van Zant, Jr., served as Superintendent of the Clay County Schools and the following individuals served as School Board Members:

| | <u>District No.</u> |
|--------------------------------------------|---------------------|
| Janice A. Kerekes | 1 |
| Carol Y. Studdard | 2 |
| Betsy Condon, Vice Chair to 11-17-15 | 3 |
| Johnna L. McKinnon, Chair | 4 |
| Ashley Gilhousen, Vice Chair from 11-18-15 | 5 |

The team leader was Sue Granger and the audit was supervised by Randy R. Arend, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Supervisor, by e-mail at micahrodgers@aud.state.fl.us or by telephone at (850) 412-2905.

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CLAY COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Clay County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-157. Our operational audit disclosed the following:

Finding 1: The Board did not adopt salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance.

Finding 2: District procedures to monitor employee leave could be enhanced.

Finding 3: The District needs to continue efforts to verify that required background screenings are performed for charter school employees and board members. A similar finding was noted in our report No. 2016-157.

Finding 4: As similarly noted in our report Nos. 2013-156 and 2016-157, the District needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 5: District procedures continue to need enhancement to better ensure that the written notifications provided to parents include all virtual instruction program options offered.

Finding 6: The District needs to continue efforts to develop a comprehensive, written information technology (IT) disaster recovery plan and, once developed, test the plan annually.

Finding 7: The District needs to develop a comprehensive, written IT risk assessment plan.

Finding 8: District security controls related to user authentication and data loss prevention continue to need improvement.

BACKGROUND

The Clay 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 Clay County. The governing body of the District is the Clay County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 41 elementary, middle, high, and specialized schools; sponsored 3 charter schools; and reported 36,585 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. 2016-157.

FINDINGS AND RECOMMENDATIONS

Finding 1: Payroll and Personnel – Performance Salary Schedule

State law¹ requires the Board to adopt salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on performance. If budget constraints in any given year limit the Board's ability to fully fund all adopted salary schedules, the performance salary schedules are not to be reduced on the basis of total cost or the value of individual awards in a manner that is proportionally greater than reductions to any other salary schedules adopted by the District. State law² also provides that a performance evaluation must be conducted for each employee at least once a year, and specifies certain evaluation criteria and percentage weightings, including basing at least one-third of the evaluation on student performance.

Our review of the performance evaluations and Board-adopted salary schedules for the 2015-16 fiscal year disclosed that, although the performance evaluations included the required evaluation criteria and percentage weightings, the Board's salary schedules for instructional personnel and school administrators were not based on employee or student performance. Instead, the Board approved a negotiated union agreement on April 21, 2016, that provided a \$500 salary increase for all instructional personnel for the 2015-16 fiscal year, none of which was based on employee or student performance.

In response to our inquiries, District management indicated that the Board did not adopt a performance salary schedule for the 2015-16 fiscal year because the fund balance of the General Fund was low and a special magistrate, who participated in the union negotiations, recommended the \$500 salary increase. District management also indicated that, as of October 2016, they were in the process of negotiating a performance salary schedule anticipated to be agreed upon during 2016-17 fiscal year union negotiations. Notwithstanding these explanations, we are unaware of any exemption from the requirement to adopt salary schedules that provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance.

Recommendation: The Board should ensure that adopted performance salary schedules provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance as required by State law.

Finding 2: Payroll and Personnel – Leave Records

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 most employees 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. Board policy³ requires that leave

¹ Section 1012.22(1), Florida Statutes.

² Section 1012.34, Florida Statutes.

³ Board Policy 2.15, *Leave*.

be applied for on authorized forms and submitted to the immediate supervisor. Completed leave forms are maintained at the cost centers and used to enter leave taken in the District payroll system by timekeepers at each cost center. Cost centers also maintain daily sign-in sheets approved each week by the Department head indicating whether employees worked their normal work hours or were on leave.

During the 2015-16 fiscal year, District salary expenditures totaled \$189 million. Also, during that year, the District contracted with a vendor to provide substitutes for teachers and classroom assistants on leave. Upon arrival at school, substitutes are required to complete and sign a substitute sign-in sheet that indicates the name of the teacher or classroom assistant who the substitute is filling in for that day. To determine whether employee leave was correctly reported, we compared employee and substitute sign-in sheets and payroll system leave records for 35 days of substitute services provided by 10 substitute teachers and 11 classroom assistants at 12 of the 41 District schools. Our comparisons disclosed the following inconsistencies:

- The employee and substitute sign-in sheets indicated that one teacher used 5 days of leave and had a substitute for those days; however, the payroll system did not report those days as leave for the teacher.
- The employee and substitute sign-in sheets indicated that another teacher used 2 days of leave and had a substitute for those days; however, the payroll system only reported the teacher's leave for 1 of those days.
- The employee sign-in sheet indicated that one classroom assistant used 3 days of leave; however, the substitute sign-in sheet indicated that an individual substituted only 1 day for the assistant and the payroll system only reported that day as leave for the assistant.

In response to our inquiries, District personnel indicated that the unreported leave resulted from cost center timekeepers not properly entering leave information into the payroll system, and that the unreported leave noted in our comparisons was subsequently corrected in the payroll system for the two individuals still employed. However, without adequate procedures for monitoring and reporting leave taken, there is an increased risk that employees may be incorrectly compensated and employee leave balances may not be accurate.

Recommendation: The District should strengthen payroll processing procedures to ensure that leave taken is appropriately documented and accurately reported in the payroll system.

Finding 3: Background Screenings – Charter Schools

State law⁴ requires personnel who are hired or contracted to fill positions in any charter school and members of the governing board of any charter school to undergo a background screening by filing a complete set of fingerprints with the district school board for the school district in which the charter school is located. During the 2015-16 fiscal year, the District sponsored three charter schools. To promote compliance with the statutory background screening requirement, District procedures require charter school employees and governing board members to undergo required background screenings.

⁴ Section 1012.32(1)(b), Florida Statutes.

To determine whether the District charter school employees and governing board members had appropriately filed background screenings with the District, we requested for examination the screenings as of July 2016; however, District personnel could not provide evidence of the screenings for:

- Six of the nine board members at one charter school;
- Two of the four board members at another charter school; and
- One of the four board members and one noninstructional employee at the remaining charter school.

Subsequent to our inquiries, District personnel contacted the charter schools and obtained evidence of the background screenings for one board member and the noninstructional employee; however, as of October 2016, evidence of the required screenings for the other eight individuals was still unavailable. In addition, District personnel indicated that the District relied on the charter schools to ensure that the charter school employee and board member background screenings were performed and that, for the 2016-17 fiscal year, procedures are being implemented through a Web-based portal for District monitoring of charter school employee and board member background screenings.

Absent effective controls to ensure that required background screenings are timely verified for charter school employees and board members, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students. A similar finding was noted in our report No. 2016-157.

Recommendation: The District should continue efforts to ensure timely verification of required background screenings for charter school employees and board members.

Finding 4: Adult General Education Classes

State law⁵ 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 General Appropriations Act⁶ proviso language required each district to report enrollment for adult general education programs in accordance with Florida Department of Education (FDOE) instructional hours reporting procedures.⁷

FDOE procedures state 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 procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide 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 2015-16 fiscal year, the District reported 40,429 instructional contact hours for 161 adult general education classes provided to 675 students. As part of our audit, we examined District records for 1,342 contact hours reported for 60 students enrolled in 15 adult general education classes. We found that instructional contact hours were over reported a total of 40 hours for 6 students. In response to our inquiries, District personnel indicated that the errors occurred because of programming errors in the

⁵ Section 1004.02(3), Florida Statutes.

⁶ Chapter 2015-232, Laws of Florida, Specific Appropriations 10 and 118.

⁷ FDOE-issued Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

computer software used to calculate and report instructional contact hours and employee oversights in documenting student withdrawal dates. District personnel further indicated that, in the second half of the 2015-16 fiscal year, the District began calculating contact hours using a manual process. Notwithstanding this response, the actual number of class hours that may have been misreported for each of the 675 adult general education students was not readily available.

Since future funding is based, in part, on enrollment data submitted to the FDOE, it is important that the District report accurate data. Similar findings were noted in our report Nos. 2013-156 and 2016-157.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. District action to strengthen controls should include, for example, additional care to appropriately document student withdrawal dates. The District should also determine to what extent the adult general education hours were misreported for the 2015-16 fiscal year and contact the FDOE for proper resolution.

Finding 5: Virtual Instruction Program – Written Parental Notifications

State law⁸ requires each school district to provide information to parents and students about a student's right and choice to participate in a virtual instruction program (VIP) offered by the District and in courses offered by the Florida Virtual School (FLVS). State law⁹ requires school districts, under certain conditions, to provide students the option of participating, either full-time or part-time, in VIPs. Under such option, for example, school districts may offer students the choice of VIP services provided by the school district, FLVS, another approved provider, another school district, or a virtual charter school.¹⁰ Pursuant to State law,¹¹ as the District is not in a sparsely populated county, the District must offer three options for full-time and part-time virtual instruction for all grade levels.

During the 2015-16 fiscal year, the District enrolled 276 full-time and 141 part-time VIP students. Although the District provided timely written notifications to parents and students of the VIP open enrollment periods for the 2015-16 and 2016-17 fiscal years, the District notifications, VIP Web sites, and VIP enrollment materials only addressed the FLVS - Clay Virtual Academy and did not include information regarding courses offered by the Florida Virtual Academy at Clay, the VIP options offered through other school districts and the contracted providers, or the option of participating in part-time VIPs.

In response to our inquiries, District personnel indicated that other VIP options were only discussed with parents if the parents specifically inquired about the availability of other VIP options. However, without notification and disclosure of the various VIP options, some parents may not be informed of all available VIP options, potentially limiting student access to virtual instruction. Subsequent to our inquiries, in August 2016, revisions were made to the District VIP policies and procedures to include information regarding courses offered by the Florida Virtual Academy at Clay, the VIP options offered through other

⁸ Section 1002.45(10), Florida Statutes.

⁹ Section 1002.45(1)(b), Florida Statutes.

¹⁰ Section 1002.45(1)(c), Florida Statutes.

¹¹ Section 1002.45(1)(b), Florida Statutes.

school districts and the contracted provider, and the option of participating in part-time VIPs. A similar finding was noted in our report No. 2016-157.

Recommendation: The District should continue efforts to ensure that parents are notified of the various virtual instruction opportunities available to students.

Finding 6: Information Technology – Disaster Recovery Plan

Disaster recovery planning is an important element of information technology (IT) controls established to manage the availability of valuable data and computer resources in the event of a disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical data, processes, and applications; provide for backups of critical data sets; and include step-by-step procedures for recovery. In addition, plan elements should be tested annually to disclose any areas not addressed and to facilitate proper conduct in an actual disruption of IT operations.

District personnel prepared a written disaster recovery plan in the spring of 2016. While the disaster recovery plan identified the District's key recovery personnel and a backup strategy for key business processes, the disaster recovery plan did not identify critical data, processes, and applications; did not include step-by-step procedures for recovery; and had not been tested. In response to our inquiry, in September 2016, District personnel indicated that a new enterprise resource system was being implemented and the disaster recovery plan would be revised to include the additional plan elements during implementation of the new system.

Without a comprehensive disaster recovery plan, and annual testing of the plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. A similar finding was reported in our report No. 2016-157.

Recommendation: The District should continue efforts to develop a comprehensive disaster recovery plan and test the plan annually.

Finding 7: Information Technology – Risk Assessment

Management of IT-related risks is a key part of enterprise IT governance. Incorporating an enterprise perspective into day-to-day governance actions helps entity personnel understand the entity's greatest security risk exposures and determine whether planned controls are appropriate and adequate to secure IT resources from unauthorized disclosure, modification, or destruction. IT risk assessments, including the identification of risks and the evaluation of the likelihood of threats and the severity of threat impact, help support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although the District had considered external and internal risks, the District had not developed a comprehensive, written IT risk assessment. A comprehensive, written IT risk assessment would consider, in addition to high-level risks, specific threats and vulnerabilities at the District, system, and application levels. A comprehensive, written IT risk assessment would also document the range of risks

that the District systems and data may be subject to, including those posed by internal and external users, as well as plans for mitigation of identified risks.

The absence of a comprehensive, written IT risk assessment may lessen the District's assurance that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through appropriate controls. In response to our inquiry, District personnel indicated that a vendor was contracted to assist in identifying threats and vulnerabilities and that the District's IT Coordinator of Security would be responsible for developing an IT risk assessment plan anticipated to be completed in the spring of 2017.

Recommendation: The District should continue its efforts to develop a comprehensive, written IT risk assessment plan to provide a documented basis for managing IT-related risks.

Finding 8: Information Technology – Security Controls – User Authentication and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed certain District security controls related to user authentication and data loss prevention that 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 data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2013-156 and 2016-157.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report Nos. 2013-156 and 2016-157 except as noted in Findings 3, 4, 5, 6, and 8 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

| Finding | Operational Audit Report No. 2016-157, Finding | Operational Audit Report No. 2013-156, Finding |
|----------------|-----------------------------------------------------------|-----------------------------------------------------------|
| 3 | 4 | Not Applicable |
| 4 | 8 | 7 |
| 5 | 12 | Not Applicable |
| 6 | 19 | Not Applicable |
| 8 | 20 | 13 |

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 May 2016 to October 2016 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 safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2016-157.
- 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 transactions, as well as events and conditions, occurring during the 2015-16 fiscal year audit period, and selected District actions taken prior and subsequent thereto. 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 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 District procedures for maintaining and reviewing user access to information technology (IT) resources. Specifically, we selected access privileges for 16 of the 42 employees from the Business Services and Human Resources Departments who had access to the finance and human resource applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties.
- Reviewed District procedures to prohibit former employees' access to electronic data files and selected access privileges for 15 of the 483 employees who separated from District employment during the audit period to determine whether their access privileges had been timely deactivated.
- Evaluated the District's security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- 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 comprehensive, written 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.

- Reviewed District 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 District policies and procedures related to security incident response and reporting.
- Examined District records and supporting documentation to determine whether the District effectively monitored charter school insurance requirements for the District's three charter schools for the 2015-16 and 2016-17 fiscal years.
- 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. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2016, to determine whether the balances were less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the ability of the District to make its future debt service payments.
- Examined the District Web site to determine whether the 2015-16 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined financial records of the District's Internal Service Fund for workers' compensation, automobile liability, general liability, and property loss coverage to determine whether the program was fiscally sound during the audit period.
- From the population of \$6 million total expenditures and \$10 million total transfers made during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$1.8 million and \$6 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation for nine selected salary payments totaling \$366,146 and six other payments totaling \$24,900, from the population of \$729,460 total workforce development funds expenditures for the audit period, to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- Examined supporting documentation for adult general education instructional and contact hours reported by the District to the Florida Department of Education (FDOE) to determine whether the hours were reported in accordance with FDOE requirements.
- Reviewed District policies and procedures and evaluated controls over the Transportation Department inventory to determine the adequacy of District controls for safeguarding inventory items.
- From the population of 5,291 employees compensated a total of \$189 million during the audit period, examined District records supporting compensation payments totaling \$48,117 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked. We also examined employee sign-in sheets, substitute sign-in sheets, and payroll system leave records to determine whether leave requests were prepared and leave records were properly updated.
- Examined District records supporting the eligibility of 26 selected recipients of Florida Best and Brightest Teacher Scholarship Program awards totaling \$214,663, from the population of 168 employees who received awards totaling \$1.4 million during the audit period.

- Examined District records for the audit period to determine whether the Board adopted 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 in compliance with Section 1012.22(1)(c)4.b., Florida Statutes.
- Examined District records for the audit period to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of the compensation for instructional personnel and school administrators was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for 60 employees selected from the population of 5,291 employees to assess whether personnel who had direct contact with students were subjected to the required background screenings.
- Examined District records for District contractor workers to assess whether the contractor workers were subjected to the required fingerprinting and background checks.
- Evaluated District records to determine whether the District verified that employees and members of the boards of directors of the District's three charter schools were subjected to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
- Examined District policies, procedures, and related records for school volunteers to determine whether the District for the audit period searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- From the population of 3,122 expenditure transactions of \$1,000 or more, other than payroll and journal entries, totaling \$44 million for the audit period, examined documentation supporting 30 selected transactions totaling \$582,994, to determine whether the expenditures were paid in accordance with District policies and procedures. We also determined whether the expenditures were adequately supported and for a valid public purpose.
- From the population of payments totaling \$840,959 during the audit period for new software applications, examined documentation supporting four selected transactions totaling \$415,670 associated with the District's \$2.3 million contract for the purchase of a new enterprise resource planning system. Specifically, we determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and whether the vendor was selected pursuant to a competitive selection process.
- Examined documentation supporting 25 selected payments totaling \$1.5 million, from the population of payments totaling \$5.2 million for the audit period made to 106 vendors for buildings, improvements other than buildings, and renovation and remodeling, to determine whether the vendor was paid in accordance with the contract terms and conditions, and amounts paid were reasonable based on the services provided.
- Examined documentation, including the contract documents, supporting 30 selected consultant contract payments totaling \$1.8 million from the population of 298 vendors for purchased services totaling \$7.8 million during the audit period, to determine whether the District complied with competitive selection requirements, payments were properly supported, made in compliance with contract terms, and the contracts clearly specified deliverables, time frames, documentation requirements, and compensation. In addition, we examined the documentation to determine whether the District complied with Section 112.313, Florida Statutes, and had not contracted with its employees for services provided beyond those in their salary contract.

- Determined whether the District had adequate policies and procedures for administering the virtual instruction program (VIP). Specifically, we determined whether the District's VIP policies and procedures adequately addressed mandatory provisions in VIP provider contracts; available optional types of virtual instruction; timely written parental notification of VIP options; the eligibility of students participating in the VIPs; and providing computer equipment, Internet access, and instructional materials to eligible students.
- Evaluated District records for the 2015-16 and 2016-17 fiscal years to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined District accounting records for the audit period to determine whether the District refrained from assessing registration or tuition fees for VIP participation pursuant to Section 1002.45(3)(e), Florida Statutes.
- Examined student records and assessed District procedures for the audit period 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 Section 1002.45(3)(c) and (d), Florida Statutes.
- Compared the certification coverages listed on the certificates of 26 teachers employed by the FDOE-approved VIP provider for the audit period with the required coverages for courses taught as listed on the FDOE's Course Code Directory to determine whether the VIP teachers were properly certified.
- From the population of 276 full-time students enrolled in the District VIP during the audit period, examined District records for 30 selected students to determine whether the students met statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Section 1002.45(6)(a) and (b), Florida Statutes.
- Examined the contract documents for the FDOE-approved VIP provider for the 2016-17 fiscal year to determine whether the contract contained required statutory provisions. Also, we:
 - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the provider's quality of virtual instruction and data quality.
 - Evaluated the contract and other related records to determine whether the District documented the reasonableness of student-teacher ratios established in the contract.
- Evaluated whether the District controls ensured that, pursuant to Section 1002.45, Florida Statutes, the difference in funds provided for a student participating in the District VIP and the price paid for contracted services procured for the audit period totaling \$34,570 was used for implementation of the District digital classrooms plan pursuant to Section 1011.62, Florida Statutes.
- 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

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



Addison G. Davis
Superintendent of Schools

SCHOOL BOARD OF CLAY COUNTY

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Green Cove Springs, Florida 32043
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BOARD MEMBERS:

Janice Kerekes
District 1
Carol Studdard
District 2
Betsy Condon
District 3
Mary Bolla
District 4
Ashley Gilhousen
District 5

December 5, 2016

Honorable Sherrill F. Norman, CPA
Office of the Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Re: Management Response to Tentative and Preliminary Findings of the Operational of the School Board of Clay County for FY 2015/2016.

Dear Ms. Norman:

Pursuant to your letter of November 3, 2016 concerning Preliminary and Tentative Audit Findings resulting from your audit of the Clay County School Board for the fiscal year ending June 30, 2016, attached are the responses to the findings and the actions taken to correct the deficiencies.

I would like to express our appreciation for the manner in which the audit was conducted. Your staff conducted themselves in a professional manner throughout the audit and has been helpful in identifying and discussing the areas addressed in the audit.

Respectfully,

Mr. Addison Davis, Superintendent
School Board of Clay County

Cc: Dr. Susan Legutko, Assistant Superintendent Business Affairs

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Auditor General's Report Findings and Recommendations

Finding No. 1: Payroll and Personnel - Performance Salary Schedule

The Board did not adopt salary schedules that provided annual salary adjustments for instructional personnel and school administrators based on employee and student performance.

Recommendation: The Board should ensure that adopted performance salary schedules provide annual salary adjustments for instructional personnel and school administrators based on employee and student performance as required by State law.

District Response: *The district is committed to using the collective bargaining process to mutually develop a Performance Pay Salary Plan as described in the finding. The teachers' union and the district at this time are very close to agreement on this issue and its inclusion in the collective bargaining agreement.*

District Contact: Mrs. Diane Kornegay, Deputy Superintendent,
Mr. Dave Broskie, Assistant Superintendent Human Resources

Finding No. 2: Payroll and Personnel – Leave Records

District procedures to monitor employee leave could be enhanced.

Recommendation: The District should strengthen payroll processing procedures to ensure that leave taken is appropriately documented and accurately reported in the payroll system.

District Response: *The district will develop and implement procedures to ensure that leave taken is appropriately documented and accurately reported in the payroll system.*

District Contact: Dr. Susan Legutko, Assistant Superintendent Business Affairs
Mr. Dave Broskie, Assistant Superintendent Human Resources

Finding 3: Background Screenings – Charter Schools

The District needs to continue efforts to verify that required background screenings are performed for charter school employees and board members. A similar finding was noted in our report No. 2016-157.

Recommendation: The District should continue efforts to ensure timely verification of required background screenings for charter school employees and board members.

District Response: *The district agrees with the findings, has reviewed its current procedures, and developed new procedures that will ensure that required background screenings are timely performed for charter school employees and members of the charter school's governing boards.*

District Contact: Mrs. Cathy Richardson, Supervisor Human Resources

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Finding No. 4: Adult General Education Classes

As similarly noted in our report Nos. 2013-156 and 2016-157, the District needs to strengthen controls to ensure the accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. District action to strengthen controls should include, for example, additional care to appropriately document student withdrawal dates. The District should also determine to what extent the adult general education hours were misreported for the 2015-16 fiscal year and contact the FDOE for proper resolution.

District Response: *The Center for Adult & Community Education, in collaboration with the Information Services Department, has made the necessary adjustments to ensure that students reaching their maximum absences are withdrawn from classes in which they are enrolled on the day following the student's 5th or 6th absence, respectively. Attendance records are submitted by instructors daily through our Student Information System (SIS) and sign-in sheets are submitted to our data entry clerk monthly. Comprehensive attendance reports are pulled from our SIS by an administrative assistant twice monthly and reviewed thoroughly by the program administrator. From the attendance records, students are withdrawn, effective the day following the students last day of absence. Previously, there was confusion around when a student was to be withdrawn.*

Additionally, the Information Services Dept. has agreed to write a custom report to self-report the discrepancy in hours reported for the 2015-2016 fiscal year for submitting this information to the Department of Education for their review.

District Contact: Ms. Shannah Kosek, Supervisor Adult Education

Finding No. 5: Virtual Instruction Program – Written Parental Notifications

District procedures continue to need enhancement to better ensure that the written notifications provided to parents include virtual instruction program options offered.

Recommendation: The District should continue efforts to ensure that parents are notified of the various virtual instruction opportunities available to students.

District Response: *The District will continue to update the VIP policies and procedures as needed for virtual options. The VIP policies and procedures and our Clay Virtual Website have been updated with correct information based on contracts for VIP providers, and the VIP options will be available for the 2017-18 enrollment notifications.*

District Contact: Mrs. Lana Racine, Principal Virtual Education Program

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Finding No. 6: Information Technology – Disaster Recovery Plan

The District needs to continue efforts to develop a comprehensive, written information technology (IT) disaster recovery plan and, once developed, test the plan annually.

Recommendation: The District should continue efforts to develop a comprehensive disaster recovery plan and test the plan annually.

District Response: *The district will continue to update and improve the Disaster Recovery Plan and include annual testing. The current DR plan is available at the district offices.*

District Contact: Mr. Carl Hendrick, Assistant Superintendent Information Services

Finding No. 7: Information Technology – Risk Assessment

The District needs to develop a comprehensive, written IT risk assessment plan.

Recommendation: The District should continue its efforts to develop a comprehensive, written IT risk assessment plan to provide a documented basis for managing IT-related risks.

District Response: *The district is committed to continue its efforts to develop a comprehensive, written IT risk assessment plan to provide a documented basis for managing IT-related risk.*

District Contact: Mr. Carl Hendrick, Assistant Superintendent Information Services

Finding No. 8: Information Technology – Security Controls – User Authentication and Data Loss Prevention

District security controls related to user authentication and data loss prevention continue to need improvement.

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

District Response: *The district is currently evaluating ways of auditing user identification and controls with monitoring via 3rd party programs. DLP controls have been implemented on email for core business owners to ensure data encryption and protection.*

District Contact: Mr. Carl Hendrick, Assistant Superintendent Information Services

