

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-132
March 2017

**ORANGE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Dr. Barbara M. Jenkins served as Superintendent of the Orange County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Bill Sublette, Chair	Districtwide
Joie W. Cadle	1
Daryl Flynn	2
Linda Kobert	3
Pam Gould	4
Kathleen "Kat" Gordon, Vice Chair to 11-16-15	5
Nancy Robinson, Vice Chair from 11-17-15	6
Christine Moore	7

The team leader was Sherry J. Homayouni, CPA, and the audit was supervised by Brenda C. Racis, CPA. For the information technology portion of this audit, the team leader was Stephanie J. Hogg, CISA, and the supervisor was Heidi G. Burns, CPA, CISA.

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ORANGE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Orange County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2014-147 and the management letter comment in the 2014-15 financial audit report. Our operational audit disclosed the following:

Finding 1: District procedures did not always ensure the supervisory review and approval of employees' time worked.

Finding 2: The Superintendent's employment agreement continued to include a severance pay provision that did not appear to be consistent with State law.

Finding 3: In April 2016, the Board approved the purchase of 4 years of out-of-State service credits toward the Superintendent's service in the Florida Retirement System at a cost of \$78,023. Since the purchase was based on the Superintendent's past meritorious service and not addressed in the Superintendent's employment agreement, State law prohibits such purchases as extra compensation.

Finding 4: The District did not always base the eligibility of teachers for the Florida Best and Brightest Teacher Scholarship awards on reliable and authentic records of college entrance exam scores. For example, in some cases, the District based teacher eligibility on temporary exam reports or an unofficial Web site score report without taking additional efforts to confirm the accuracy of the scores.

Finding 5: The District needs to adopt a spending plan for workforce education program funds.

Finding 6: District procedures for assigning credit card total monthly and single transaction dollar limits and canceling applicable credit cards could be enhanced.

Finding 7: The District could enhance policies and procedures for the mitigation, detection, and reporting of fraud.

Finding 8: The virtual instruction program provider contract did not contain certain necessary provisions. A similar finding was noted in our report No. 2014-147.

Finding 9: Some inappropriate or unnecessary information technology (IT) access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur. In addition, the District had not established procedures for the review of certain IT access privileges to promote the timely detection of inappropriate or unnecessary privileges.

Finding 10: District security controls related to user authentication, data loss prevention, and monitoring of system activity need improvement to ensure the continued confidentiality, integrity, and availability of District data and IT resources.

BACKGROUND

The Orange 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 Orange County. The governing body of the District is the Orange County District School Board (Board), which is composed of eight elected members, seven Board members elected by district and one Board Chairman elected at large. The appointed Superintendent of Schools is the executive officer of the Board. During the 2015-16 fiscal year, the District operated 186 elementary, middle, high, and specialized schools; sponsored 35 charter schools; and reported 195,408 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. 2014-147 and the management letter comment in the 2014-15 financial audit report. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Payroll Processing – Time 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 noninstructional administrative and technical employees,¹ 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 the required number of hours in the pay period.

During the 2015-16 fiscal year, the District had 1,467 noninstructional administrative and technical employees who were compensated a total of \$95.1 million. Our inquiry with District personnel and examination of District records indicated that, to document leave used, noninstructional administrative and technical employees submit electronic leave requests to cost center supervisors for review and approval through the District's online payroll system. District personnel also indicated that the supervisors of these employees monitor employee attendance using online tools within the District software; however, neither District electronic nor paper records evidence supervisory review and approval of the time worked by these employees.

In response to our inquiries, District personnel indicated that the process used for noninstructional administrative and technical employees was sufficient because leave is documented and approved by each supervisor through the online payroll system. However, without documented review and approval of time worked, there is limited assurance that administrative and technical employee personnel services were provided consistent with Board expectations and the risk that these employees may be incorrectly compensated and their leave balances may not be accurate is increased.

Recommendation: We recommend that the District require noninstructional administrative and technical employees to report time worked and ensure that supervisory review and approval of such time is documented.

¹ The District defines noninstructional administrative and technical employees to include, for example, deputy superintendents, directors, principals, assistant principals, school psychologists, and certain information technology personnel.

Follow-Up to Management's Response

Management indicated in the written response that the noninstructional administrative and technical employees are not governed under a union contract and are not required to maintain a time sheet for time worked due to their exempt status. Notwithstanding this response, given the District's responsibility to monitor the services of these employees and the significant costs totaling \$95.1 million associated with these services for the 2015-16 fiscal year, records of attendance and time worked, reviewed and approved by applicable supervisors, would provide better assurance that the services were consistent with Board expectations.

Finding 2: Severance Pay

State law² provides that, on or after July 1, 2011, a unit of government that enters into an employment agreement that contains a provision for severance pay with an officer, agent, employee, or contractor must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation. On April 24, 2012, the Board initially approved an employment agreement, which was subsequently extended through June 30, 2019, with the Superintendent. According to the agreement, if the Superintendent is terminated without cause, the Board will pay the Superintendent a sum equivalent to 6 months of her base salary. Also, beginning on July 1, 2013, and on July 1 of each successive year, the severance compensation will be increased by 1 additional month to a maximum of 12 months of base salary. However, as similarly noted in our report No. 2014-147, this provision is contrary to State law as it allows for severance pay that exceeds 20 weeks of compensation.

In response to our inquiry, District Counsel indicated that, based on the State law³ in effect when the Superintendent's employment agreement was executed, the District could pay the Superintendent up to one-year's salary upon termination, buyout, or contract settlement. In addition, District Counsel noted that the State law⁴ for employment contracts executed on or after July 1, 2011, conflicted with State law⁵ regarding remuneration of employed superintendents. Notwithstanding this response, the Board was obliged to respect the limitation on severance pay set forth in the most recent legislative act. Also, no actual conflict existed as it was possible to read both statutory provisions in harmony as nothing prevented the District from applying the more restrictive statutory limitation. As such, we continue to conclude that the severance pay provision in the Superintendent's employment agreement is not consistent with existing law.

Recommendation: The Board should take appropriate action to amend the severance clause included in the Superintendent's employment agreement to be consistent with State law.

² Section 215.425(4)(a), Florida Statutes.

³ Section 1001.50, Florida Statutes (2011). This statute, in part, provided that a district school board could not enter into an employment contract that required the district to pay from State funds a superintendent an amount in excess of 1 year of the superintendent's annual salary for termination, buyout, or any other type of contract settlement. However, this section was amended by Chapter 2012-133, Laws of Florida, to remove this provision and to require that the provisions required by Section 215.425, Florida Statutes, be included in superintendent employment contracts that contain a severance pay provision.

⁴ Section 215.425(4)(a), Florida Statutes.

⁵ Section 1001.50, Florida Statutes (2011).

Follow-Up to Management's Response

Management indicated in the written response that the District is in the process of negotiating an amendment to the Superintendent's contract. For guidance in amending the contract's severance pay provisions, we recommend that the District seek a legal opinion from the Florida Attorney General regarding whether the proposed amendment is consistent with State law.

Finding 3: Extra Compensation

State law⁶ provides that no extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made. The Attorney General has opined that the purchase of past service credits for employees is "compensation" for the purpose of State law.⁷

On April 12, 2016, the Board approved the purchase of 4 years of out-of-State service credits toward the Superintendent's service in the Florida Retirement System (FRS) at a cost of \$78,023. According to the Board minutes, the Board based the compensation on the Superintendent's past meritorious service and desired to leave the Superintendent's employment agreement unchanged. However, the employment agreement provided for no such compensation and the District was under no legal obligation to purchase the years of service. Accordingly, since the Board did not amend the Superintendent's employment agreement to provide the payment as an element of compensation for future services, State law prohibits this purchase of service credits as extra compensation.

In our discussions, the District Counsel contended that the purchase of the service credits should not be considered extra compensation. The District Counsel's argument hinges on the definition of "compensation" for the purposes of calculating benefits in the FRS and that the statutory limitation on employed superintendents' salaries excluded retirement benefits. We disagree with the District Counsel as the indicated definition is limited to Chapter 121, Florida Statutes, and the transaction is more accurately characterized as a District lump-sum disbursement or bonus payment that was not contemplated by the employment agreement. Consequently, the payment to the FRS constituted prohibited extra compensation.

Recommendation: The Board should take appropriate action to comply with State law regarding any additional compensation provided on behalf of or to the Superintendent.

Follow-Up to Management's Response

Management indicated in the written response that the "acquisition of additional out-of-state credits through Florida's retirement program is not "compensation" pursuant to Section 215.425, Florida Statutes, and was instead a "retirement benefit" provided to the Superintendent." However, since the purchase of the retirement credits was not required by the employment agreement, we remain of the opinion that such payments for the benefit of the Superintendent constituted prohibited extra compensation.

⁶ Section 215.425(1), Florida Statutes.

⁷ Attorney General Opinion 1981-98.

Finding 4: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)⁸ to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act proviso language,⁹ to be eligible for a scholarship, a teacher must have scored at or above the 80th percentile on a college entrance exam based on the percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law,¹⁰ or if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance exam based on the percentile ranks in effect when the teacher took the assessment. To demonstrate eligibility for a scholarship award, an eligible teacher must submit to the District an official record of his or her college entrance exam score demonstrating that the teacher scored at or above the 80th percentile based on the percentile ranks in effect when the teacher took the assessment. Additionally, District procedures required teachers to submit documentation showing that the teacher scored a composite ACT or SAT score at or above the 80th percentile, or both a Reading and Mathematics score on the SAT at or above the 80th percentile, on the college entrance exam. Pursuant to State law,¹¹ once a classroom teacher is deemed eligible by the District, including teachers deemed eligible in the 2015-16 fiscal year, the teacher shall remain eligible as long as he or she remains employed by the District as a classroom teacher at the time of the award and receives an annual performance evaluation rating of highly effective.

District personnel are responsible for determining teacher eligibility for scholarship awards and annually submitting the number of eligible teachers to the Florida Department of Education (FDOE). The FDOE disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in the applicable General Appropriations Act.

During the 2015-16 fiscal year, the District awarded Program scholarships totaling \$5.3 million to 636 teachers. Our examination of District records supporting scholarship awards totaling \$247,688 to 30 selected teachers disclosed that the District awarded scholarships totaling \$41,281 to 5 teachers based on the teachers' evaluation of highly effective and unofficial score reports from the exam provider's Web site for 4 teachers and a temporary score report from the exam provider for 1 teacher. Subsequent to our inquiry in November 2016, the District obtained and provided to us official documentation of college entrance exam scores for the 4 teachers still employed by the District.

In response to our inquiry in November 2016, District personnel indicated that they had accepted any documents from the exam providers, official or unofficial, and had not established what would constitute acceptable documentation. District confirmation of college entrance exam scores based on reliable and authentic records, such as college transcripts or final exam reports, would provide better assurance that the scores are accurate and teachers are eligible for the scholarships.

⁸ Section 1012.731, Florida Statutes (2016).

⁹ Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

¹⁰ Section 1012.34, Florida Statutes.

¹¹ Section 1012.731(3)(b), Florida Statutes (2016).

Recommendation: The District should ensure that Program scholarships are awarded to eligible recipients based on college entrance exam scores reported on reliable and authentic records. Such records could include college transcripts or final exam reports.

Finding 5: Workforce Education Programs

Pursuant to State law,¹² the District receives funding for a workforce education program. The District uses workforce education program funds and adult education tuition and fees to provide adult education programs at four District locations. During the 2015-16 fiscal year, the District's workforce education program revenues totaled \$37.1 million. These revenues, when combined with unspent workforce education revenues totaling \$23.9 million from prior fiscal years, provided \$61 million in available funds for District workforce education program costs during the 2015-16 fiscal year.

District workforce education program expenditures totaled \$41.6 million for the 2015-16 fiscal year, which was 68 percent of the amount available to be expended, resulting in an unencumbered balance carry forward of \$19.4 million into the 2016-17 fiscal year. Although workforce education program funds are restricted for adult education purposes and not subject to reversion, carrying forward large balances into subsequent years does not appear to be consistent with the Legislature's annual funding of the program and provision of related benefits to students for a particular fiscal year.

In response to our inquiry, District personnel indicated that the Program Director had developed an informal spending plan and the District had made efforts over the past 3 fiscal years to reduce the amount of unspent funds to reach an ultimate goal of between 8 to 10 percent of the annual revenues and expected to meet that goal by the end of the 2018-19 fiscal year. The informal spending plan included planned expenditures for upgrading equipment and facilities and adding and upgrading existing programs. District personnel further indicated that a formal plan for subsequent years is being developed in concert with the next budget cycle. However, as of November 2016, the goals and priorities for the use of unspent workforce development program funds had not been established in a written, Board-adopted spending plan.

Recommendation: The District should continue efforts to develop a spending plan, and the Board should adopt a spending plan, for workforce education program funds to serve as a guide to ensure that the funds benefit the students and program as intended by the Legislature.

Finding 6: Credit Cards

To expedite the purchase of selected goods and services, the District uses credit cards designated as activity cards (A-cards) for school activity purchases, such as purchases for the Extended Day Program; purchasing cards (P-cards) for purchases of non-capital goods and services; and travel cards (T-cards) for the expenditures related to District public officer and employee travel. Purchases made with these cards are subject to the same rules and regulations that apply to other District purchases and are subject to additional requirements in the P-card Manual.

The P-card Manual limits single transactions to \$999 for A-cards and P-cards and prohibits purchases from being split to circumvent the single item purchase limit. In addition, the P-card Manual provides that

¹² Section 1011.80, Florida Statutes.

the work location supervisor or grant fund manager is responsible for collecting cards assigned to individuals who separate from District employment and to e-mail or provide a P-card change form to the P-card Administrator to cancel the card within 24 hours after the individual separates from employment. Further, according to the contract with the financial institution that administers the credit cards, the District is to notify the financial institution of loss or unauthorized use within 24 hours of discovery.

District credit card expenditures totaled \$6.6 million for the period July 2015 through March 2016 and, as of March 31, 2016, the District maintained 1,293 credit cards. To determine the reasonableness of credit card monthly total and single transaction dollar limits for the period July 2015 through March 2016, we inquired of District personnel and examined District records supporting 31 credit cards, including A-cards and P-cards with monthly total dollar limits greater than \$15,000 and T-cards with monthly total dollar limits greater than \$10,000. Additionally, to determine whether the District promptly canceled applicable credit cards during that period, we selected for examination District records for 18 of the 28 cardholders who separated from District employment. Our examination of District records and inquiries of District personnel disclosed that:

- Department heads are responsible for preauthorizing travel expenditures and supervisors are responsible for reviewing and reconciling District records supporting travel expenditures to employee T-card charges and approving T-card monthly total dollar limits. However, the District had not established T-card single transaction dollar limits because, according to District personnel, the cards are used exclusively for travel expenditures and did not allow for the purchase of goods or services. While several employees had monthly T-card dollar limits of \$100,000, \$50,000, or \$25,000, absent established T-card single transaction dollar limits, there is an increased risk that the entire monthly dollar limit could be spent on one transaction for nonauthorized purposes. Established T-card single transaction dollar limits based on District travel needs would help the District regulate individual travel payments and provide additional assurance that T-cards are used exclusively for District travel.
- Twenty-nine cardholders had credit card monthly total dollar limits that appeared excessive based on the cardholders' highest total monthly expenditures during the period July 2015 through March 2016. Table 1 shows, for example, information related to 7 of the 29 cardholders who had excessive monthly total dollar limits.

Table 1
Examples of Credit Card
Excessive Monthly Total Dollar Limits

Number	Employee Position	Card Type	Monthly Total Dollar Limit	Highest Monthly Total Dollar Expenditures
1	Director	T-card	\$100,000 ^a	\$79,381 ^b
2	Area Superintendent	T-card	100,000 ^a	23,245
3	Director	T-card	50,000 ^a	15,628
4	Principal	T-card	25,000	8,922
5	Senior Finance/Payroll Specialist	P-card	30,000	813
6	Finance Specialist	P-card	25,000	3,154
7	Senior Finance/Payroll Specialist	A-card	20,000	7,197

^a T-card monthly dollar limit and expenditures for an individual employee serving in a supervisory capacity may be elevated as the employee uses the T-card to pay the travel expenses of subordinates.

^b Except for one month's expenditures totaling \$79,381, the employee's monthly expenditures ranged from \$374 to \$18,308, indicating that the employee's monthly dollar limit could be significantly reduced and, when necessary, temporarily increased.

Source: District Records.

A contributing factor for the excessive monthly total dollar limits is that the P-card Manual did not require periodic evaluations of card monthly dollar limits and, according to District personnel, periodic evaluations of cardholder dollar limits are not performed. District personnel also indicated that the dollar limits would be reviewed and reduced where appropriate. Without effective monitoring of monthly credit card dollar limits, there is an increased risk of unauthorized use or purchases in excess of budget constraints.

- The District did not timely cancel the credit cards for 10 (6 T-cards, 2 A-cards, and 2 P-cards) of the 18 cards selected for testing. These 10 cards were canceled 6 to 284 days, or an average of 71 days, after the employee separation dates. According to District personnel, the untimely card cancellations occurred because the P-card Administrator was not timely notified of the employment separations. District personnel also indicated that, as of September 2016, the Purchasing and Human Resources Departments were working to enhance the process for timely deactivating applicable credit cards.

While our examination of credit card activity for the 10 former employees disclosed that no purchases were made after the individuals separated from District employment, untimely cancellation of credit card privileges increases the risk that such privileges could be misused by former employees or others and may limit the District's ability to satisfactorily resolve disputed charges.

Recommendation: The District should:

- **Revise the P-card Manual to require:**
 - **Credit card single transaction dollar limits for each T-card based on the District travel needs of the cardholder and adjustments to the limits as necessary.**
 - **Periodic evaluations of the monthly total and single transaction dollar limits for each credit cards and adjustments to the limits as necessary based on District needs.**

- Evaluate each credit cardholder’s monthly total and single transaction dollar limits and, based on District needs, make necessary adjustments to the cardholder’s limits.
- Ensure that credit card privileges are promptly canceled upon a cardholder’s separation from District employment.

Finding 7: Anti-Fraud Policies and Procedures

Appropriate policies and procedures for communicating and reporting known or suspected fraud are essential to aid in the mitigation, detection, and prevention of fraud. In addition, such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such action to the appropriate authorities, and protecting the reputation of persons suspected but not guilty of fraud.

The District established an ethics and lobbying policy¹³ that addressed, among other things, educating employees responsible for procuring, contracting, and managing business and contractual relationships about proper employee conduct. The policy, for example, prohibited gifts from prospective vendors and conflicts of interest, restricted lobbying activities, limited outside employment and established a process for reporting policy violations and the penalties for such violations. This policy also requires employees to adhere to State Board of Education (SBE) rules¹⁴ that, among other things, require individuals in the education profession to maintain honesty in all professional dealings. The District also has whistleblower complaint procedures directing employees or members of the public to report any known or suspected violation of law or policy, theft, fraud or abuse, or damage to the public’s health, safety, or welfare, and maintains a complaint hotline.

Our audit procedures found that, while the ethics and lobbying policy and the whistleblower complaint procedures have many positive features, they do not:

- Define fraud or provide examples of actions constituting fraud, or the consequences of such actions.
- Provide guidance for investigating potential or actual incidents of fraud; reporting evidence obtained by the investigation to the appropriate authorities, which may be the Board or District legal counsel if an incident involves District management; or protecting the reputations of persons suspected but not determined guilty of fraud.

In response to our inquiries, District personnel indicated that current policies and procedures, in combination with Florida Statutes, were adequate to address instances of fraud. The District also indicated that criminal fraudulent acts are covered by the State’s criminal statutes, the Legislature has not mandated that school districts develop a specific fraud policy, and such a policy would be redundant to State law.

Notwithstanding this response, an established anti-fraud policy and procedures that define fraud, provide examples of actions constituting fraud, establish the consequences for such actions, provide guidance for conducting investigations and reporting evidence obtained to appropriate authorities, protect the reputations of suspects not determined guilty of fraud, and require accurate recordkeeping, would

¹³ Board Policy KCE, *Ethics and Lobbying Policy*.

¹⁴ SBE Rule 6A-10.081, Florida Administrative Code, *Principles of Professional Conduct for the Education Profession in Florida*.

promote the communication of potential or actual incidents of fraud and the performance of consistent, timely, and appropriate actions to investigate the incidents reported.

Recommendation: The Board should develop a policy and procedures for communicating, investigating, and reporting known or suspected fraud. Such policy and procedures should:

- **Define fraud and provide examples of actions constituting fraud along with the consequences for such actions.**
- **Establish procedures for investigating potential or actual incidents of fraud, reporting evidence obtained by the investigation to the appropriate authorities, and protecting the reputations of persons suspected but not determined guilty of fraud.**

Follow-Up to Management's Response

Management indicated in the written response that they have enacted a Board-approved policy that is most comprehensive regarding ethics and lobbying and that the policy is in addition to Chapter 112, Florida Statutes, which governs the conduct of public officials. Notwithstanding this description of the policy's comprehensive nature relating to ethics and lobbying practices, the policy did not define fraud, provide examples of actions constituting fraud, or the consequences for such actions, nor did it provide guidance for conducting investigations into such actions. Consequently, we continue to recommend that the Board develop a policy and procedures for communicating, investigating, and reporting known or suspected fraud.

Finding 8: Virtual Instruction Program – Contract Provisions

To ensure appropriate controls over provider contract compliance, VIP provider contracts need to contain certain necessary provisions to establish the District's expectations for these providers. During the 2015-16 fiscal year, the District contracted with two FDOE-approved VIP providers; however, District students only obtained services from one of the providers. The District had 96 full-time and 5 part-time students participating in the VIP provider program. Our review of the District's contract with the FDOE-approved VIP provider, along with other related records, disclosed that:

- The contract did not include data quality requirements. The provider is to maintain significant amounts of education data used to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.¹⁵ Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The contract did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contract contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,¹⁶ without specified minimum required security controls, there is an increased risk that provider information security and other information technology (IT) controls may not be sufficient to protect the education data.

¹⁵ Section 1008.31, Florida Statutes.

¹⁶ The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

- The contract did not provide for the District's monitoring of provider compliance with the contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

A similar finding was noted in our report No. 2014-147.

Recommendation: The District should include in FDOE-approved VIP provider contracts a provision for monitoring provider compliance as well as provisions specifying the minimum required security controls and promoting education data quality.

Finding 9: Information Technology – Access Privileges

Access controls are intended to protect District data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting employees and contractors access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees and contractors from performing incompatible functions or functions outside of their areas of responsibilities. Periodically reviewing assigned IT access privileges helps ensure that employees and contractors cannot access or modify IT resources inconsistent with their assigned job duties.

Our test of selected IT access privileges to the District's Enterprise Resource Planning (ERP) system finance and human resources (HR) applications and the network disclosed that some access privileges permitted employees to perform incompatible functions or were unnecessary and that the District did not have procedures for the review of all network accounts granted administrator access privileges. Specifically:

- Our test of 11 transaction codes¹⁷ that allowed update access privileges to functions within the finance application, including accounts payable, purchasing, and journal entries, included the review of 109 accounts. Our review of these accounts disclosed that the Chief Finance Officer, 14 Finance Department employees, 5 Office of Management and Budget employees, and 1 Orange Technical College Westside Campus employee could generate and post journal entries with no supervisory review, contrary to an appropriate separation of data entry and supervisory authorization. Although the District's processes require supervisory review of journal entries, and our test of 30 journal entries found that supervisors were reviewing these, the system does permit a posting without appropriate review. District management indicated that, subsequent to our audit inquiry in August 2016, a daily report was created to show the financial journal entries posted and that the report will be reviewed by supervisory personnel.
- Our test of four default network administrator system groups¹⁸ that allow complete access to network resources resulted in the review of 39 accounts. Our review of the network access privileges granted disclosed that 1 service account, which was no longer used for District operations, had been granted administrator access privileges within the District's network domain. An additional 2 service accounts were assigned to the default network administrator system group having the highest level of privileges for the District's network organization. This level of access

¹⁷ Transaction codes are references used to access functions or programs within the ERP system applications. Execution of some application functions requires update access privileges to sets of transaction codes.

¹⁸ Default network administrator system groups are provided by the IT environment vendor and provide the ability to perform functions such as systemwide configurations and settings, installation and maintenance of all software, security administration, and the application of operating system service packs and updates to the IT environment depending the functions defined by the vendor for each vendor-delivered system group.

privileges was unnecessary for the functions of these 2 service accounts. Administrator access privileges are typically limited to employees who are responsible for performing network administration duties or services that require complete access to network resources. Subsequent to our audit inquiry in August 2016, District management disabled the service account no longer in use and removed the administrator access privileges for the additional 2 service accounts.

- Although network administrator access privileges granted to user accounts were periodically reviewed for changes in employee responsibilities, District management did not review administrator access privileges assigned to service accounts. In response to our audit inquiry, District management indicated that administrator access privileges assigned to service accounts will be reviewed quarterly and as services are installed and removed.

Although District procedures provide for independent review of transactions, such as those performed for journal entries, inappropriate or unnecessary IT access privileges and the lack of a review of administrator access privileges assigned to network service accounts increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

Recommendation: We recommend that District management remove any inappropriate or unnecessary access privileges and continue efforts to ensure that IT access privileges granted enforce an appropriate separation of duties and are necessary.

Finding 10: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of District data and IT resources. Our audit procedures disclosed that certain District security controls related to user authentication, data loss prevention, and monitoring of system activity need 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. A similar finding related to user authentication and monitoring of system activity was communicated to District management in connection with our report Nos. 2011-165 and 2014-147 and in report No. 2014-147 for data loss prevention.

Without adequate security controls related to user authentication, data loss prevention, and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in previous audit reports and the management letter comment in the 2014-15 financial audit report except as noted in Findings 2, 8, and 10 and shown in the Table 2.

Table 2
Findings Also Noted in Previous Audit Reports

Finding	Operational Audit Report No. 2014-147, Finding	Operational Audit Report No. 2011-165, Finding
2	5	Not Applicable
8	8	Not Applicable
10	11	8

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from March 2016 to November 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. 2014-147 and the management letter comment in the 2014-15 financial audit report.
- 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 written information technology (IT) policies and procedures related to hardware sanitization and user account creation and maintenance to determine whether certain IT control functions were appropriately considered.
- Reviewed District procedures for maintaining and reviewing employee access to IT resources. We tested selected access privileges to the District's Enterprise Resource Planning (ERP) system finance and Human Resources (HR) applications to determine the appropriateness and necessity of the access based on employees' and contractors' job duties and user account functions and whether the access prevented the performance of incompatible duties. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network, operating systems, database, portal, and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
 - Tested the 11 transaction codes that allowed update access privileges to selected critical ERP system finance application functions, resulting in the review of the appropriateness of access privileges granted for 109 accounts.
 - Tested the 13 transaction codes that allowed update access privileges to selected critical ERP system finance application functions, resulting in the review of the appropriateness of access privileges granted for 134 accounts.
 - Tested the 4 default network administrator system groups that allow complete access to network resources, resulting in the review of the appropriateness of administrator access privileges granted to 39 accounts for the network.

- Tested the default server administrator group that allows complete access to the server and all administrative accounts for the operating systems that support the ERP system application servers, resulting in the review of the appropriateness of administrative access privileges granted to 42 accounts.
- Tested the default server administrator group that allows complete access to the server and all administrative accounts for the operating systems that support the ERP system portal servers, resulting in the review of the appropriateness of administrative access privileges granted to 46 accounts.
- Tested the 6 active administrative accounts for the operating systems that support the ERP system database server, resulting in the review of the appropriateness of administrative access privileges granted to 37 accounts.
- Tested the database administrator role, resulting in the review of the appropriateness of database administrator access privileges granted to 5 accounts for the ERP system database.
- Tested 3 of 6 transaction codes relating to granting user access privileges and 1 of 2 roles that allow update access privileges to all transactions, resulting in the review of the appropriateness of administrator privileges granted to 45 accounts for the ERP system applications.
- Tested the 6 roles related to ERP system portal administration, resulting in the review of the appropriateness of administrator access privileges granted to 12 accounts.
- Reviewed District documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated District procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
- Determined whether District policies and procedures governing the classification, management, and protection of confidential and sensitive information were in effect.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Evaluated the adequacy of District policies and procedures related to security incident response and reporting.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District's data center.
- Interviewed District personnel and reviewed supporting documentation to determine whether the District effectively monitored charter schools.
- Evaluated committee and advisory board minutes for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- Analyzed the District's General Fund total unassigned and assigned fund balance at June 30, 2016, to determine whether it was more 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.

- From the population of \$149.3 million total expenditures and \$184.8 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 \$19.1 million and \$84.7 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation to determine whether the District used workforce education program funds totaling \$61 million for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 398 industry certifications reported for performance funding that were attained by students during the 2014-15 and 2015-16 fiscal years, examined 30 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 6,159 adult general education instructional students reported for 825,298 contact hours during the audit period, examined District records supporting 1,613 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- 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 District records for the audit period to determine whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2014-15 and 2015-16 fiscal years.
- Examined supporting documentation to determine whether required internal funds audits for the 2015-16 and 2 preceding fiscal years were timely performed pursuant to State Board of Education Rule 6A-1.087, Florida Administrative Code, and whether the audit reports were presented to the Board.
- Reviewed District records related to funds totaling \$90,797 and deposited by the Finance Department on May 19, 2016, to determine whether the District timely deposited the funds.
- Examined District records supporting the three payments totaling \$38,484 made during the audit period by the District to its direct-support organization to determine the legal authority of such transactions.
- Examined three employee contracts to determine whether severance pay provisions complied with Section 215.425(4), Florida Statutes.
- Examined District records, including Board minutes and the Superintendent's employment agreement, supporting the Superintendent's 2015-16 fiscal year compensation to determine whether the compensation complied with Section 215.425(4)(a), Florida Statutes.
- From the population of 25,760 employees compensated a total of \$898 million during the period July 2015 to May 2016, examined District records supporting compensation payments totaling \$49,795 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of leave used and time worked. Also, we expanded our inquiries of District personnel and examination of District records to determine whether controls were effective to monitor leave used and time worked for noninstructional administrative and technical employees.

- Examined District records supporting the eligibility of 30 selected recipients of Florida Best and Brightest Teacher Scholarship Program awards totaling \$247,688, from the population of 636 teachers who received scholarships totaling \$5.3 million during the audit period.
- Examined District records for 30 employees selected from the population of 26,012 employees who worked during the audit period to assess whether personnel who had direct contact with students were subjected to the required background checks.
- Examined District policies, procedures, and related records for school volunteers to determine whether the District had procedures in place requiring a search of 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.
- Evaluated District procedures and examined Department of Highway Safety and Motor Vehicle and District records to assess whether District procedures were adequate to ensure that all 1,055 bus drivers were properly licensed and monitored during the audit period.
- Examined District records 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 whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Reviewed District procedures for bidding and purchasing health insurance to evaluate compliance with Section 112.08, Florida Statutes, the reasonableness of procedures for acquiring other types of commercial insurance, and whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- From the population totaling \$875.8 million of individual expenditures that exceeded \$250 during the audit period, examined documentation relating to 30 selected expenditures totaling \$87,109 to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms, and Board policies.
- From the population of 14 construction contracts totaling \$497.1 million during the audit period, selected 1 significant construction contract with a guaranteed maximum price of \$42 million and 1 new project for the audit period with a budget of \$20.4 million that had recently been bid. For these two projects, we:
 - Examined District records to determine whether the construction manager was properly selected.
 - Evaluated District procedures for monitoring subcontractor selection and licensure and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined District records to determine whether the architects were properly selected and adequately insured.
 - Determined whether the District established written policies and procedures addressing the negotiation and monitoring of general conditions costs.
 - Examined District records supporting 31 selected payments totaling \$31.2 million to determine whether District procedures for monitoring payments to the construction manager were adequate and payments were sufficiently supported.
- From the population of credit card transactions for 1,293 credit cards totaling \$6.6 million for the period July 1, 2015 to March 31, 2016, examined documentation supporting 30 selected transactions totaling \$10,629 to determine whether credit cards were administered in accordance with District policies and procedures. We also determined whether the District timely canceled

the credit cards for 18 former employees who had been assigned credit cards and separated from District employment during the audit period.

- Determined whether rebate revenues for the audit period totaling \$1.2 million for the e-Payable program were allocated to the appropriate District funds.
- Reviewed District's expenditures to identify possible related-party transactions pertaining to the Board members or Superintendent.
- Examined District records to determine whether the Board had established an adequate, comprehensive electronic funds transfer policy.
- For the two charter schools that were not renewed or were terminated in the 2015-16 or 2 preceding fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the school or center, except as previously agreed upon by the District.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the one school subjected to an expedited review, we examined District records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
- Examined District records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- From the population of contractual services payments totaling \$28.8 million during the period July 1, 2015, to March 30, 2016, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$4 million related to professional and technical service contracts to determine whether:
 - The District complied with competitive selection requirements.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - District payments complied with contract provisions.
- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, pursuant to the 2015 General Appropriations Act, we determined whether the District appropriately reported to the FDOE the funding sources, expenditures, and student outcomes for each participating school.
- Performed a facilities assessment of the District's educational planning and construction activities in accordance with Section 1013.35(2)(f), Florida Statutes.
- Reviewed District records for the audit period to determine whether the District provided the required Virtual Instruction Program (VIP) options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined the contract documents for two FDOE-approved VIP providers to determine whether the contracts 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 providers' 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.
- 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Orange County Public Schools

445 West Amelia Street • Orlando, FL 32801-1129 • Phone 407.317.3200 • www.ocps.net

February 20, 2017

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

RE: Audit of Orange County District School Board – Fiscal Year Ended June 30, 2016

Dear Ms. Norman:

Per your letter dated January 20, 2017, the following represents our responses to the findings noted.

Finding No. 1: Payroll Processing – Time Records

Response: The District has in place appropriate mechanisms for reporting leave time for non-instructional administrative and technical employees. All leave requests are documented and approved by each supervisor through the online payroll system. These employees are exempt under FLSA, salaried and not governed under a union contract. Therefore, these same employees are not required to maintain a timesheet for time worked due to their exempt status.

Finding No. 2: Severance Pay

Response: The response to this finding is essentially identical to that contained in the prior Auditor General report 2014-147, which addressed this same issue. The contract between the Orange County School Board and its current Superintendent was entered into prior to the effective date of a provision that would limit the number of months for possible severance in the event of a Board termination without cause. Over the past three years, there have not been any changes in the Florida Constitution or case law that would permit the Legislature to retroactively impact an existing contract. Also, the prior stated opinion that “it is well established that where there are conflicting provisions of law, the more specific language has supremacy over the less specific language” also has not been altered by the courts.

It should be noted that since the prior report, two of the three districts which entered into similar provisions within a year of the law's effective date (Osceola and Indian River) both replaced their superintendents and therefore the new contracts now contain conforming language with regard to the severance package provision. In the third district (Broward) the Superintendent has remained the same but his contract was renewed in 2013 and the amendment to that contract modified the severance provisions to also conform with state law.

As previously explained in a memorandum sent to the Auditor General's office on March 11, 2013 from the OCPS General Counsel, the severance package provision, as negotiated, is legal and valid. Because the Superintendent's contract has been and continues to otherwise be a valid contract, the severance provision has not been modified. While the District continues to contest this finding, OCPS is in the process of negotiating an amendment to the Superintendent's contract.

Finding No. 3: Extra Compensation

Response: The District maintains that the acquisition of additional out-of-state credits through Florida's retirement program is not "compensation" pursuant to Section 215.425, Florida Statutes, and was instead a "retirement benefit" provided to the Superintendent.

An agenda item approved on April 12, 2016 provides the Superintendent with a one-time acquisition of prior retirement credits. It is not a recurring expense, nor a salary increase, nor a bonus, nor any other taxable event that would constitute ongoing compensation for the Superintendent. In fact, no direct payment or reimbursement was issued to Dr. Jenkins but was instead paid directly to the state retirement system.

Section 215.425, Florida Statutes, provides in pertinent part that: "No extra **compensation** shall be made to any officer, agent, employee, or contractor after the services has been rendered or the contract made." However, the term "compensation" is not defined in Section 215.425, Florida Statutes, nor is it defined in any other part of Chapter 215.

However, Section 1001.50(5), Florida Statutes, specifically regarding superintendent's pay, does provide additional guidance as follows:

As used in this subsection, the term "remuneration" means salary, bonuses, and cash-equivalent compensation paid to a district school superintendent by his or her employer for work performed, **excluding health insurance benefits and retirement benefits**. Only compensation, as defined in s. 121.021(22), provided to a district school superintendent may be used in calculating benefits under chapter 121.

The term "compensation," is then defined in Section 121.021(22), Florida Statutes as the monthly salary paid a member by his or her employer for work performed arising from that employment" and includes a lengthy and detailed list of items that are included in "compensation" such as overtime payments, accumulated annual leave, payments for deferred compensation programs and other types of payments. Conspicuously absent in that definition is any reference to health insurance benefits or retirement benefits or the purchase of years of service.

Based on that analysis, the OCPS General Counsel has concluded that the Florida Statutes definition of "compensation" in Section 121. 021(22), Florida Statutes, does not include the acquisition or purchase

of prior years of service as compensation. The provision in Section 1001.50, Florida Statutes indicates that retirement benefits are not to be considered as remuneration when calculating a Superintendent's salary so therefore the retirement credits are not considered "compensation".

The Auditor General, in their report, referenced Attorney General Opinion ("AGO") 81-98. AGO 81-98 however opined that an attempt by the City of Bushnell to seek "reimbursement" to compensate a previously retired employee for an expense the employee had previously incurred was invalid. Here the Superintendent had not paid for the retirement benefits nor did she receive cash, a check or any other liquidated funds to be used for the specific purpose of purchasing or acquiring the retirement benefits. Instead, the Board's actions took place before the acquisition occurred and payment was issued directly to the State of Florida, as instructed by the Division of Retirement Services. As such, AGO 81-98 is distinguishable and no other opinion seems to have addressed this set of facts.

Finding No. 4: Florida Best and Brightest Teacher Scholarship Program

Response: The District disagrees with this finding. The District had 672 eligible classroom teachers (including 36 charter school classroom teachers) that qualified for the Best and Brightest Teacher Scholarship in fiscal year 2015-2016. The Auditor General's Office examined 30 selected Teachers that received the scholarship. Five of the thirty Teachers submitted score reports that required further review. Since there was no clear definition of "official" in the law, these documents were accepted.

The District accepted high school transcripts with scores, college transcripts with scores, opened score reports from College Board and ACT, student reports from College or ACT and tentative scores from College Board and ACT. OCPS considered all these documents as official if they were transcripts or scores reports from College Board and ACT. Upon closer review at the time of the audit it was discovered that some College Board/ACT score documents were deemed unofficial by the State.

One of the five employees submitted a Priority Letter from ACT. ACT was contacted and documentation was obtained to state that the ACT Priority Letter was created specifically for this FL program to provide faster access to archived scores and is considered to be an official ACT Score Report for teachers who applied for the Best and Brightest Scholarship Program. Three of the five teachers including the one with the priority letter submitted official score reports. One teacher retired from the district and entered the Peace Corp and we were unable to contact this employee.

As a result of the audit, we sent an email to all of the 2016-2017 approved Best and Brightest applicants who submitted any other documentation than what the State approved (ACT) and requested that they submit "Official" score reports. Out of the 785 eligible teachers, 38 submitted what the State considers unofficial. As of January 30, 2017, we have 15 outstanding test documents.

Finding No. 5: Workforce Education Programs

Response: The annual adopted budget includes the planned reduction of the workforce education program funds.

Finding No. 6: Credit Cards

Response 1: The District will research the feasibility of implementing a single transaction limit for travel cards based on historical utilization data. The data will allow the District to identify users that will require higher limits based on their specific needs. In addition, temporary increases would need to be requested on an individual basis via a purchasing card change form and written justification for the increase.

Response 2: The District will conduct an annual review of cardholder limits against the previous fiscal year cardholder spend. The monthly limit will be reduced accordingly if the limit is found to be greater than the need.

Response 3: The District has initiated the monthly process of reviewing the active employee database and cross referencing with current cardholders.

Finding No. 7: Anti-Fraud Policies and Procedures

Response: The District will review existing policies to determine if they should be strengthened or modified. However, the Orange County School Board has already enacted OCPS School Board Policy KCE, one of the most comprehensive ethics and lobbying policies in the state. Policy KCE was adopted to “create a culture that fosters public trust and confidence in government in general and more specifically in the elected officials, the employees and those that contract and provide goods and services to Orange County Public Schools.” This policy is in addition to the countless provisions in Chapter 112, Florida Statutes that already govern the conduct of public officials.

As recognized in the audit, Policy KCE also incorporates the Principles of Professional Conduct, Florida Administrative Rule 6A-10.081, Florida Administrative Code, which governs fraudulent behavior, for example, by requiring “honesty in all professional dealings” and prohibiting the submittal of “fraudulent information on any document in connection with professional activities.” Policy KCE makes the rule applicable to *all* OCPS employees not just those certified as educators.

In addition, the District, pursuant to the Whistleblower Act in Chapter 112, Florida Statutes, has an established hotline that receive calls, including anonymous complaints, on any topics relating to fraud or gross mismanagement. The procedures have been undertaken to insure that all complaints are properly logged, tracked and investigated. Such investigations are carried out at the direction of the Ethics Compliance Officer, who is identified in Policy KCE.

Finally, the State of Florida has specifically criminalized certain fraudulent behavior such as theft of public funds and bribery. The Legislature has even enhanced the penalties for public officials by providing for the forfeiture of retirement benefits in Section 112.3173, Florida Statutes, for those found guilty of a felony if they willfully intended to defraud a public agency.

In discussions with the Auditor General’s Office, a request was made for other anti-fraud policies adopted throughout the state and specifically those enacted by other School Districts. In addition, the District requested any Florida Statutes that mandated for the adoption of such anti-fraud policies. No such additional information was provided by the Auditor General’s Office but a cursory online review of other districts has yielded a few other districts with anti-fraud policies. For example, Broward and Sarasota counties have enacted policies which essentially legislate the same behavior already encompassed in either Florida law, administrative rules or OCPS procedures or policies, including policy KCE.

Finding No. 8: Virtual Instruction Program – Contract Provisions

Response: The District will continue to perform due diligence to ensure that all contracts contain all required provisions as stated by statute and by audit.

Finding No. 9: Information Technology – Access Privileges

Response: The District has developed policies and procedures to ensure that IT access privileges are appropriately reviewed and assigned.

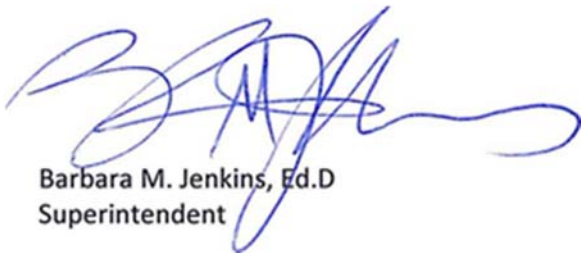
Finding No. 10: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Monitoring of System Activity

Response: The District has developed additional policies and procedures relating to security controls, user authentication, data loss prevention and monitoring of system activity to ensure the integrity of its data and IT resource.

Respectfully submitted,



Dale C. Kelly, CPA
Chief Financial Officer



Barbara M. Jenkins, Ed.D
Superintendent