

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-163
March 2017

**PUTNAM COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Phyllis L. Criswell served as Superintendent of the Putnam County Schools and the following individuals served as School Board Members.

	<u>District No.</u>
Nichole M. Cummings	1
David M. Buckles, Chair from 11-17-15, Vice Chair to 11-16-15	2
Terry Wright	3
Kathleen Jorgensen, Chair to 11-16-15	4
Jane T. Crawford, Vice Chair from 11-17-15	5

The team leader was Debra L. Hulse, CPA, and the audit was supervised by Karen J. Collington, CPA.

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PUTNAM COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Putnam County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report Nos. 2016-025 and 2016-170. Our audit disclosed the following:

Finding 1: District records did not initially evidence that the construction management entity (CME) for the District's College Classroom Renovation Project with a guaranteed maximum price (GMP) contract of \$506,524 was selected in accordance with the competitive selection process prescribed by State law or that the CME was properly licensed.

Finding 2: District personnel did not compare CME pay requests with applicable subcontractor invoices, bids, and contracts for the District's College Classroom Renovation Project.

Finding 3: For the District's College Classroom Renovation Project, District personnel did not attend the subcontractor bid openings or obtain copies of the subcontractor bids or contracts to verify that the subcontractors were competitively selected.

Finding 4: District personnel did not verify that subcontractors were appropriately licensed before work commenced on the District's Transportation Facility (\$3.4 million contract), Middleton-Burney Classroom Additions (\$1.5 million contract), nor College Classroom Renovation (\$506,524 contract) Projects.

Finding 5: District controls over negotiating and monitoring CME general conditions costs need improvement.

Finding 6: District performance pay for instructional and school administrative employees did not always evidence compliance with State law.

Finding 7: The District did not always base the eligibility of teachers for Florida Best and Brightest Teacher Scholarships awards on highly effective evaluation ratings or reliable and authentic records of college entrance exam scores. For example, in some cases, the District based teacher eligibility on a highly effective instructional practice evaluation rating rather than the combined instructional practice and student growth score ratings, and on temporary exam or unofficial score reports without taking additional efforts to confirm the accuracy of the scores.

Finding 8: As similarly noted in our report No. 2016-170, the District did not always timely perform required background screenings for applicable instructional and noninstructional employees and contractor workers.

Finding 9: District controls over volunteer background searches need improvement.

Finding 10: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding 11: The VIP provider contract did not contain certain necessary provisions.

Finding 12: District procedures continue to need enhancement to ensure that parents are notified about the availability of VIP resources for qualifying students.

Finding 13: Some unnecessary and inappropriate information technology (IT) access privileges continue to exist.

Finding 14: The District needs to annually test the IT disaster recovery plan. A similar finding was noted in our report No. 2016-170.

BACKGROUND

The Putnam 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 Putnam County. The governing body of the District is the Putnam 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 18 elementary, middle, high, and specialized schools; sponsored 3 charter schools; and reported 10,842 unweighted full-time equivalent students. The District is also the fiscal agent of the North East Florida Educational Consortium (NEFEC), a regional, nonprofit, educational service agency composed of 15 member districts.

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. 2016-025 related to selected information technology controls at NEFEC and report No. 2016-170 regarding other District processes and activities. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, are presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Selection of Construction Management Entity

Pursuant to State law,¹ the Board may contract with a construction management entity (CME) for the construction or renovation of facilities. State law requires the CME to consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed as required by law. Additionally, State law² prescribes the competitive selection process to be followed when professional services, including CME services, are to be purchased for a project with basic construction costs estimated to exceed \$325,000. The District may require a CME to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or net cost savings, to be returned to the District.

According to District records for the 2015-16 fiscal year, the District had three significant construction projects with CME GMP contracts, including the Transportation Facility, Middleton-Burney Classroom Additions, and College Classroom Renovation Projects totaling \$3.4 million, \$1.5 million, and \$506,524, respectively. We inquired of District personnel and examined District records and found that the District complied with the statutory competitive selection process for the first two projects; however, we also

¹ Section 1013.45(1)(c), Florida Statutes.

² Section 287.055, Florida Statutes.

noted that the District's process for documenting compliance with State law for the CME selection for the third project needed improvement.

The District and First Coast Technical College (College), a charter technical career center, entered into a lease agreement for the District to provide a Putnam County campus for College career and technical education services. In October 2015, the District solicited a request for qualifications for CMEs to perform the District's College Classroom Renovation Project (Project) at the Putnam County campus and directed the responders to provide their proposals to the College. According to District personnel, the College selected the CME for the Project and, in March 2016, the Board approved a GMP contract totaling \$506,524 with the CME; however, the CME selection occurred without District involvement. Additionally, although we requested, District personnel were initially unable to provide records to demonstrate that the College followed the required competitive selection process when selecting the CME or that the CME selected was appropriately licensed. Subsequent to our request, District personnel obtained copies of College records, which were provided to us, that evidenced that five CMEs responded to the request for qualifications, the College requested three of the CMEs to submit cost proposals, and the District entered into a GMP contract with the CME with the lowest cost proposal. Evidence that the CME was appropriately licensed was also provided.

District personnel indicated that funding for the classroom repairs and renovations was provided to the District since the District owned the building, but the Legislature intended for the College to oversee the renovations. As such, the District relied on the College to competitively select a properly licensed CME. Notwithstanding the District response, as the District was responsible for the contract and related payments, documented compliance with the CME competitive selection requirements and documented verification that the CME was appropriately licensed are necessary to demonstrate compliance with State law.

Recommendation: The District should enhance procedures to ensure and document that CMEs are competitively selected using the process prescribed by State law and that the CMEs have the required licenses.

Finding 2: Monitoring Construction Pay Requests

To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to the successful completion of GMP contracts, it is important that the District verify that CME pay requests agree with supporting documentation such as subcontractor bids and related contracts. To evaluate District monitoring controls over CME pay requests for the 2015-16 fiscal year, we inquired of District personnel and selected for examination District records supporting the 19 CME pay requests for the District's three major construction projects with expenditures totaling \$3.4 million. While District procedures were generally adequate, we found that for 3 pay requests totaling \$126,894 to the CME for the District's College Classroom Renovation Project the District's procedures were limited to verifying the mathematical accuracy of the request and that cost line items on the CME pay request agreed to the schedule of values in the CME GMP contract. Consequently, District personnel did not verify that CME pay requests were supported by subcontractor invoices, bids, or contracts because, according to District personnel, the College maintained those documents.

Subsequent to our inquiry, District personnel obtained copies of subcontractor bids that supported the GMP amounts for five of the College Classroom Renovation Project's six subcontractors. However, although we requested, no invoices or related contracts to support the payment of line items totaling \$55,215 were provided. Without supporting documentation and the performance of procedures to verify the amounts included in CME pay requests, there is an increased risk that the District may overpay for services and not realize maximum cost savings under GMP contracts.

Recommendation: Before CME payments are made, the District should obtain supporting documentation, such as subcontractor invoices, bids, and related contracts, so that the amounts requested by the CME can be verified.

Finding 3: Subcontractor Selection

Under the CME process, contractor profit and overhead are contractually agreed upon and the CME is responsible for all scheduling and coordination in both the design and construction phases. Since the difference between the actual cost of the project and the GMP amount (the net cost savings) is to be returned to the District, close monitoring of subcontractor bid awards and other construction costs by District personnel is necessary.

District records supporting the District's three major construction projects indicated that the CMEs were required to solicit bids for subcontractor services. Our audit procedures disclosed that District personnel attended the subcontractor bid openings and obtained subcontractor bids for the 42 subcontracts awarded on the Transportation Facility and Middleton-Burney Classroom Additions Projects. However, for the District's College Classroom Renovation Project (Project), District personnel indicated that they did not attend the subcontractor bid openings or obtain subcontractor bids or related contracts with the subcontractors as the CME maintained the correspondence about these bid processes.

We extended our procedures and requested for examination the Project's subcontractor bids and related contracts and the District obtained copies of College records that indicated the lowest bidder was selected for four subcontracts. However, for one subcontractor who provided plumbing services costing \$65,000, the subcontractor was not the lowest bidder and no records were available to document why the subcontractor was selected. Without District procedures to verify, of record, that the subcontractors are competitively selected and that bid award and contract amounts agree, there is an increased risk that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and maximum cost savings under GMP contracts may not be realized.

Recommendation: The District should establish procedures to verify that CMEs select subcontractors using a competitive process. Such procedures should require documented attendance by District personnel at subcontractor bid openings and comparisons of the subcontractor bid awards to the subcontractor contracts to verify that the bid awards and contract amounts agree.

Finding 4: Subcontractor Licenses

State law³ requires that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law⁴ also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

In response to our inquiries regarding the licensure of subcontractors used on the District's three major construction projects, District personnel indicated they did not verify whether the nine electrical, air conditioning, and plumbing subcontractors were licensed but instead relied on the CME to verify the subcontractors' licenses. Subsequent to our request, District personnel were able to obtain and provide evidence that, except for one subcontractor who provided plumbing services for the College Classroom Renovation Project, the subcontractors were appropriately licensed. Timely verification that subcontractors are appropriately licensed provides the District additional assurance that the subcontractors who will be working on District facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: The District should enhance procedures to ensure subcontractors are appropriately licensed before they commence work on District facilities.

Finding 5: General Conditions Costs

Effectively negotiating and documenting the reasonableness of general conditions costs is essential to ensure that potential cost savings are realized under GMP contracts. The CME GMP contract for the District's College Classrooms Renovation and Middleton-Burney Classroom Additions Projects included general conditions costs provisions totaling \$61,406 and \$153,357, respectively. These general conditions costs provisions addressed such items as direct salaries, temporary job-site office space, temporary fencing, and debris disposal.

As the projects progressed, the CMEs billed the District monthly for general conditions costs at a fixed rate. District personnel indicated that their practice is to negotiate a fixed percentage for general conditions costs based on current industry standards and the location of the project; however, District records did not evidence the District's determination that the general conditions costs were reasonable and appropriate. In addition, the District had not established written policies or procedures addressing the methodology to be applied and the factors to be considered during the general conditions costs negotiation process. Such policies or procedures could include comparing proposed general conditions costs to those of similar projects, including similar projects in other school districts, and negotiating a reasonable amount for a total budgeted amount for all general conditions costs.

Our examination of District records associated with the projects' general conditions costs disclosed that CME pay requests were not accompanied by detailed documentation, such as CME payroll records or CME paid invoices, to support the amounts the CME requested from the District. Absent adequate

³ Section 1013.45(1)(c), Florida Statutes.

⁴ Chapter 489, Florida Statutes.

monitoring of charges for general conditions costs, the District may be limited in its ability to determine the propriety of pay requests or to realize any cost savings associated with the project.

Recommendation: The District should establish written policies and procedures for negotiating and monitoring general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs, and the receipt and review of sufficiently detailed documentation supporting CME general conditions costs pay requests.

Finding 6: Payroll and Personnel – Performance Salary Schedule

State law⁵ requires that, in determining the salary schedule for instructional personnel and school administrators, a district school board must base a portion of each employee's compensation upon performance. State law also requires the annual salary adjustment under the performance salary schedule for an employee rated as effective must be equal to at least 50 percent and no more than 75 percent of the annual adjustment provided for a highly effective employee of the same classification.

During the 2015-16 fiscal year, the District paid \$37.2 million to 814 instructional personnel and school administrators. Our inquiries of District personnel and examination of District records related to performance salary increases for the 2015-16 fiscal year disclosed that:

- Each instructional employee and school administrator who was rated effective or highly effective received a salary increase of \$869.
- Based on the 2014-15 fiscal year evaluations, each instructional employee and school administrator with an effective rating received an additional \$.75 annual performance pay increase and those with a highly effective rating received an additional \$1.00 annual performance pay increase.

As such, for the 2015-16 fiscal year, each instructional employee and school administrator rated effective received an annual salary increase of \$869.75 and those rated highly effective received an annual salary increase of \$870. However, these salary adjustments were contrary to the statutory requirement that adjustments for employees rated as effective should be no more than 75 percent of the adjustments for employees rated as highly effective. Following the statutory requirement, the performance pay increase for instructional employees and school administrators rated as effective computes to \$652.50 (75 percent of \$870).

According to District personnel, for the 2015-16 fiscal year, the additional performance pay of \$.75 paid for employees rated effective and \$1.00 paid to employees rated highly effective met the statutory requirement that employees rated effective would receive salary adjustments that were no more than 75 percent of the adjustments for employees of the same classification who were rated highly effective. However, the total salary adjustment of each instructional personnel and school administrator who received an effective rating exceeded 75 percent of the adjustments for employees of the same classification who were rated highly effective. As such, the District paid a total of \$27,156.25⁶ more to those rated effective than anticipated in State law.

⁵ Section 1012.22(1)(c)4.b. and 5.b.(I) and (II), Florida Statutes.

⁶ The \$27,156.25 was calculated by multiplying \$217.25 (\$869.75 minus \$652.50) by the number of instructional personnel and school administrators evaluated effective (125).

We also noted that, while the 2015-16 fiscal year salary schedule specified the instructional personnel performance pay salary adjustments for the effective and highly effective ratings, the salary schedule did not specify school administrator performance pay adjustments. Subsequent to our inquiry in December 2016, the Board approved a revised salary schedule that included the corrected performance pay amounts for the 2016-17 fiscal year.

Recommendation: The Board should ensure that the performance pay of instructional and school administrative personnel complies with State law by establishing performance pay salary schedules that include salary adjustments for effective evaluations that are no more than 75 percent of the annual adjustment provided for a highly effective employee of the same classification. Additionally, the Board should continue efforts to ensure that salary schedules specify performance pay amounts for school administrators.

Finding 7: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)⁷ to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act proviso language,⁸ 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,⁹ 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. Pursuant to State law,¹⁰ 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 were responsible for determining teacher eligibility for scholarships and annually submitting the number of eligible teachers to the 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.

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 upon the percentile ranks in effect when the teacher took the assessment. Additionally, District procedures require teachers to complete and submit scholarship applications. On the applications, teachers indicated their eligibility for the scholarship by providing their instructional practice score, student performance score, final overall evaluation score, college entrance exam scores, and rank status. In addition, the application required that official college entrance exam scores documentation be attached to the application. Teachers whose overall evaluation score was less than

⁷ Section 1012.731, Florida Statutes (2016).

⁸ Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

⁹ Section 1012.34, Florida Statutes. Section 1012.34(3)(a), Florida Statutes, requires the evaluation to include consideration of student performance.

¹⁰ Section 1012.731(3)(b), Florida Statutes (2016).

highly effective but instructional practice score was highly effective, were required to sign a memorandum of understanding indicating that, if compensation for the Best and Brightest Scholarship was awarded and the State or a Court requires the District to refund the compensation, the teacher will immediately repay the District.

During the 2015-16 fiscal year, the District awarded Program scholarships totaling \$247,688 to 30 teachers. Our examination of District records supporting scholarship awards disclosed that District records did not always support that the teacher had the requisite college entrance exam score, based on reliable and authentic score reports, or that the teacher had received the overall evaluation of highly effective required to be eligible for the scholarship. Specifically:

- For the evaluation criteria, the District based 5 teachers' eligibility for scholarship awards totaling \$41,280 on the teachers' highly effective instructional practice score rather than the teachers' combined instructional practice score and student performance score. In response to our inquiry, District personnel and the Board attorney indicated that, based on Appendix F of the Putnam Federation of Teachers contract, the District agreed not to consider the student performance score if the score made the teacher ineligible for the scholarship. However, as such, the evaluation rating did not appropriately take into account all required components of the evaluation rating.
- For the college entrance exam score criteria, the District based 3 teachers' eligibility for scholarship awards totaling \$24,768 on unofficial records of exam scores. Two of these teachers' scores were supported by temporary exam reports of college entrance exam scores dated April 1999 and October 2009, respectively, and the other teacher's score was supported by an unofficial report for scores dated April 2008. In response to our inquiry, District personnel indicated that the records used to support the scholarship awards were based on guidance provided by the FDOE, which indicated that school districts had the authority to determine what was considered an official record. Notwithstanding this response, as of November 2016, District personnel had not independently corroborated the temporary and unofficial score reports with the scores on other records, such as official college transcripts or final exam reports. District confirmation of college entrance exam scores based on reliable and authentic records, such as official college transcripts or final exam reports, would provide better assurance that the scores are accurate and teachers are eligible for the scholarships.
- For one teacher provided a scholarship award of \$8,256, the teacher's highest documented college entrance exam score was 22 in April 1998 when the minimum score for the 80th percentile was 25. District personnel properly indicated in the eligibility determination that the teacher did not qualify for the award because the teacher did not have a qualifying college entrance exam score; however, the District inadvertently awarded the scholarship to the teacher.

Recommendation: The District should ensure that Program scholarships are awarded to eligible recipients based on teacher evaluations of highly effective that appropriately consider student performance and on qualifying college entrance exam scores reported on reliable and authentic records. Records of college entrance exam scores could include college transcripts or final exam reports. In addition, the District should refund the FDOE for the awards totaling \$74,304 paid to

the ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Finding 8: Background Screenings – Employees and Contractor Workers

State law¹¹ requires that each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students to undergo a level 2 background screening¹² at least once every 5 years. State law¹³ also provides that noninstructional contractors may be exempt from the background screening requirements if the contractors are under the direct supervision of a school district employee or contractor who has had a criminal history check and meets the State law screening requirements.

To promote compliance with the statutory background screening requirements, Board policies¹⁴ require employees and applicable contractors and their workers to undergo required background screenings at least once every 5 years. District personnel indicated that the contractor workers are required to wear a name badge, which expires after 5 years, to gain access to school grounds. Once the badge expires, the contractor workers are prohibited from accessing school grounds unless they undergo the required background screening and obtain a new badge. According to District personnel, the schools and department supervisors are responsible for reporting to Staff Services when a background screening is required for a contractor. However, although the District uses a tracking report to identify when District employee background screenings are due, District personnel indicated that they did not maintain a comprehensive list of the contractor workers to ensure that contractor worker background screenings are obtained and evaluated at least once every 5 years.

During the 2015-16 fiscal year, the District employed 1,214 instructional and 612 noninstructional personnel. According to District records for the 2015-16 fiscal year, 65 contractor workers provided instructional and noninstructional services, such as substitute teacher and maintenance services, and were permitted access on school grounds when students were present or had direct contact with students. To determine whether required background screenings had been timely performed, we requested for examination District records, as of September 2016, for 54 selected individuals¹⁵ and found that:

- The required background screenings were not on file for 6 contractor workers. District personnel indicated that the District's Staff Services Department works with the schools and other departments to ensure that all contractor workers are fingerprinted but does not maintain a comprehensive list of contractor workers and no one employee is responsible for verifying that everyone is fingerprinted and undergoes the required background screenings. Subsequent to our

¹¹ Sections 1012.32, 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

¹² A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the FDLE and national criminal history records checks through the FBI.

¹³ Section 1012.468(1)(a)1, Florida Statutes.

¹⁴ Board policies 1121.01, 3121.01, 4121.01, and 8475.

¹⁵ The 54 selected individuals included 25 instructional employees, 5 noninstructional employees, and 24 instructional and noninstructional contractor workers. The contractor workers were selected from a review of District payments to contractors, including those providing temporary staffing services, who provided services directly to students or would have been on campus unsupervised when students were present.

inquiry, in October 2016, the District obtained the background screenings for 2 of the contractor workers.

- For 1 employee, the required background screening had not been performed at least once in the past 5 years. As of June 30, 2016, 6 years and 6 months had elapsed since the employee's most recent background screening. According to District personnel, they had attempted to obtain a background screening for the employee in March 2016; however, the Federal Bureau of Investigation was unable to complete the national criminal history screening due to the poor quality of the fingerprints and the employee had not provided updated fingerprints to the District.

We expanded our testing to include the records, as of October 2016, for 1,803 additional individuals and determined that an additional 59 District employees and one charter school employee had not undergone a background screening within the last 5 years. The dates of the most recent background screenings for these employees ranged from January 2005 to August 2011. In addition, we noted that initial background screenings for 6 charter school employees were never obtained. The District indicated that the missing screenings were due to oversights in ensuring that the tracking report was complete and that some employees due for screenings were overlooked.

Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that employees or contractor workers with unsuitable backgrounds may have direct contact with students. A similar finding was noted in our report No. 2016-170.

Recommendation: The District should take immediate action to identify employees, contractor workers, and charter school employees who have not obtained the required background screenings, ensure the screenings are promptly obtained and evaluated, and make decisions as necessary, based on evaluations of the screenings. To help monitor and ensure that required background screenings are performed at least once every 5 years, we recommend that the District ensure that the tracking report for District employee background screenings is complete and also maintain a comprehensive, up-to-date list of contractor workers subject to the screenings.

Finding 9: Background Searches – Volunteers

State law¹⁶ requires that a governmental subdivision, before making any decision to appoint or employ a person to work, whether for compensation or as a volunteer where children regularly congregate, must conduct a search (background search) of that person's name or other identifying information against the registration information regarding sexual predators and sexual offenders through the Dru Sjodin National Sexual Offender Public Website maintained by the United States Department of Justice.

For the 2015-16 fiscal year, the District entered into an interagency agreement with a local non-profit organization serving children in Clay, Putnam, and St. Johns counties to conduct background searches for school volunteers. As of June 2, 2016, the non-profit organization (provider) had approved 1,925 volunteers to work around school children and 116 volunteers for non-direct contact with school children (e.g., office or athletic event work and after-school work with teachers). However, our examination of the interagency agreement disclosed that the agreement did not specify the procedures the provider would perform, identify the offences that would disqualify a volunteer from working around children, allow for monitoring the provider's compliance with the agreement, or provide for review of the

¹⁶ Section 943.04351, Florida Statutes.

background search results. Further, according to District personnel, the District did not obtain or review any school volunteer background searches.

Absent effective controls to ensure that background searches of school volunteers are performed, there is an increased risk that volunteers with unsuitable backgrounds may have direct contact with students. As of July 2016, the District had terminated the agreement with the provider and placed background search software in all schools to perform the background searches. The new software is used to qualify or disqualify volunteers to work with school children and a list of all school volunteers screened is available through the software reporting function.

Recommendation: To ensure that volunteers with unsuitable backgrounds do not have direct contact with school children, District personnel should continue efforts to document the review of school volunteer background searches. The District should also ensure that any future agreements with entities that provide background search services contain necessary provisions.

Finding 10: Virtual Instruction Program – Policies and Procedures

State law¹⁷ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law¹⁸ establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2015-16 fiscal year, the District enrolled 576 part-time and 25 full-time VIP students. Board policies,¹⁹ the student progression plan, and other District records identified certain District instruction methods, the basis for eligibility in instructional programs, and enrollment information. However, the District did not have comprehensive, written VIP policies and procedures to identify the processes necessary to ensure the District's compliance with statutory requirements, document personnel responsibilities, provide consistent guidance to staff during personnel changes, ensure sufficient and appropriate training of personnel, or establish a reliable standard to measure the effectiveness and efficiency of operations.

District personnel indicated that they are developing VIP policies and procedures. The lack of comprehensive, written VIP policies and procedures may have contributed to the instances of noncompliance and control deficiencies discussed in Findings 11 and 12.

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

¹⁷ Section 1001.41(3), Florida Statutes.

¹⁸ Section 1002.45, Florida Statutes.

¹⁹ Board Policy 2370.01 Virtual Instruction.

Finding 11: Virtual Instruction Provider Contracts

To ensure appropriate controls over data quality, minimum security controls, and provider contract compliance, VIP provider contracts need to contain certain necessary provisions establishing the District's expectations for the providers. During the 2015-16 fiscal year, the Board, as fiscal agent for the North East Florida Educational Consortium (NEFEC), contracted with two FDOE-approved providers to administer certain aspects of the District's VIP, however, District students only selected services from one of the VIP providers. Our review of NEFEC's contract with the FDOE-approved VIP provider that provided District student services 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.²⁰ 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 data. While the contract contained requirements for the provider to implement, maintain, and use appropriate administrative, technical or physical security measures required by Federal law²¹, 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 data.
- The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

Recommendation: The District should ensure that NEFEC's contract with the FDOE-approved VIP provider contract includes provisions for promoting data quality, specifying the minimum required security controls, and monitoring provider compliance.

Finding 12: Virtual Instruction Program – Computer Resources

State law²² requires the District to provide to each full-time VIP student who qualifies for free or reduced price school lunches, or who is on the direct certification list, and who does not have a computer or Internet access at home, all equipment necessary to participate in the VIP. Such equipment includes, but is not limited to, a computer, a monitor, and a printer (if necessary). The District is also to provide qualified students with Internet access for online delivery of instruction.

Our examination of District records disclosed that the District did not provide computer equipment or Internet access to any of the 25 full-time VIP students or contact the parents of all qualified VIP students

²⁰ Section 1008.31, Florida Statutes.

²¹ The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

²² Section 1002.45(3)(d), Florida Statutes.

during the 2015-16 fiscal year to determine whether the students had all the necessary computer resources to participate in the VIP.

Without evidence of direct communication to parents regarding the availability of computer resources and documented determinations that families had the necessary computer resources, the District cannot demonstrate that qualified students had the necessary resources to successfully complete VIP courses. In response to our inquiry, District personnel indicated in May 2016 that 10 computers had been ordered for use by VIP students who qualify for computer resources. District personnel also indicated that the District developed a form to be used in the 2016-17 fiscal year to obtain confirmation from the parents of qualified VIP students that computer resources were offered and, as applicable, provided.

Recommendation: The District should continue efforts to ensure that qualified VIP students have the necessary computer resources.

Finding 13: Information Technology – Access Privileges

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

As previously mentioned, the District is fiscal agent and a participating member of the NEFEC, which provides IT services to the participating members through the Educational Technology Services data center. According to District personnel, the District began performing periodic reviews of assigned IT access privileges in January 2016.

Our evaluation of selected access privileges to District finance and human resources (HR) applications disclosed some access privileges were unnecessary or permitted employees to perform incompatible functions, indicating a need for improvements in the District's review of access privileges. Specifically, we found that:

- Seven employees (six HR Department employees and one Curriculum and Instruction Department employee) had the ability to add an employee within the HR application and had update privileges to one or more other critical functions within the HR application, including the ability to adjust salary records and update direct deposit information. As these employees did not have Payroll Department assigned responsibilities, they could perform incompatible functions within the HR application that were not necessary to perform their assigned job responsibilities.
- Nine employees (one HR Department employee, four Payroll Department employees, and four Finance Department employees) had the ability to add an employee within the HR application and had update privileges to one or more other critical functions within the HR application, including the ability to adjust salary records, create and generate manual payroll checks, or update direct deposit information. The ability to add an employee is appropriate only for HR Department personnel and the other job duties are appropriate only for Payroll Department

employees. Accordingly, the access privileges permitted these nine employees to perform incompatible functions within the HR application.

- Three employees (one Finance Department employee and two Accounts Payable Department employees) had update privileges to critical functions within the finance application, including the ability to add and update vendor records and addresses, add and change purchase orders, and process payments. The ability to add and update vendor records and addresses and change purchase orders is appropriate only for purchasing personnel. District personnel indicated that access to these functions by the three employees was necessary to perform their assigned job duties; however, these access privileges permitted the three employees to perform incompatible functions within the finance application.

In response to our inquiry, District personnel indicated that periodic reviews identified some user groups that had unnecessary access privileges and, as a result, some users in one group had access privileges reduced; however, the review did not detect other inappropriate access privileges that continued to allow broad access for certain employees assigned to a different user group. District personnel further indicated that, as of October 2016, the District is creating new user groups to more closely align with job titles and duties.

Although the District had certain controls (e.g., supervisory monitoring of budgets and expenditures and separation of duties for initiating and approving purchases, adding and updating vendors, and payroll updating and processing) that somewhat mitigated inappropriate access, the existence of unnecessary and inappropriate access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources. Similar findings were noted in our report Nos. 2015-163 and 2016-170.

Recommendation: The District should continue efforts to ensure the assignment of appropriate access privileges, periodic review of access privileges assigned to all user groups, and timely removal or adjustment of any unnecessary or inappropriate access detected. Such efforts should include removal of unnecessary access privileges assigned to the employees identified by our audit procedures.

Finding 14: Information Technology – Disaster Recovery Plan

Disaster recovery planning is an important element of 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.

As fiscal agent and NEFEC participant, the District obtains certain IT services, such as financial, HR, payroll, student records, and other critical applications. NEFEC developed an IT disaster recovery plan specifying the procedures for providing participating member districts continuity, restoration, and recovery of critical data and systems in the event of a disaster that interrupts critical IT operations. However, the District had not completed a comprehensive, written disaster recovery plan that addressed the scheduling and maintenance of data backups for its network servers containing financial, payroll, and HR documents and files; assignment of recovery activity responsibilities to key employees and backup personnel; priority

of critical operations and data; or specific processes and procedures to be followed when NEFEC is inoperable or other events interrupt District operations to affect the recovery and restoration of financial, payroll, HR, student records, and other critical applications.

In response to our inquiry, District personnel provided a comprehensive, written disaster recovery plan completed as of July 2016 that addresses the above requirements; however, as of November 29, 2016, the plan had not been tested. District personnel indicated that, after completion of the newly established Wide Area Network encompassing all schools, the District will test the plan in three stages during the 2016-17 school year. Without annual testing of the disaster recovery 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 noted in our report No. 2016-170.

Recommendation: The District should test the disaster recovery plan annually.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings in our report Nos. 2016-025 and 2016-170, except as noted in Findings 8, 13, and 14 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year Report No. 2016-170, Finding	2013-14 Fiscal Year Report No. 2015-163, Finding
8	3	Not Applicable
13	5	10
14	7	Not Applicable

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 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 Nos. 2016-170 and 2016-025.
- 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 access to information technology (IT) resources. Specifically, we tested selected access privileges for 30 of 170 employees 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. Specifically, we selected access privileges for all 12 former employees who separated from District employment during the audit period to determine whether their access privileges had been timely deactivated.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- 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.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- 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 data center.
- Examined Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an effective anti-fraud policy and procedures for the audit period 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.
- From the population of \$5.9 million total expenditures and \$3.6 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 8 selected expenditures and 2 transfers totaling \$392,841 and \$3.1 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined the District Web site to determine whether it included the 2015-16 fiscal year proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- From the population of 1,826 employees compensated a total of \$59.4 million for the period July 1, 2015, through April 15, 2016, examined District records supporting compensation payments totaling \$56,101 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.
- 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 supporting documentation for 30 employees selected from the population of 772 instructional personnel and 42 school administrators during 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 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.

- Examined District records supporting the eligibility for the 30 recipients awarded Florida Best and Brightest Teacher Scholarships totaling \$247,688 during the audit period.
- Examined District records supporting 30 selected employees from the population of 1,826 employees during the audit period to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screenings.
- Examined District policies, procedures, and related records for school volunteers to determine whether the District 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.
- Evaluated District procedures and examined Department of Highway Safety and Motor Vehicle and District records for all 103 bus drivers to assess whether the District ensured that the bus drivers were properly licensed and monitored during the audit period.
- Evaluated District policies and procedures to ensure retiree health insurance benefits were correctly assessed in accordance with applicable collective bargaining agreements.
- From the population of non-payroll expenditures totaling \$46 million for the period July 1, 2015, through April 27, 2016, examined documentation related to 30 selected payments totaling \$162,163 to determine whether the non-payroll 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.
- Examined District records supporting the three significant construction projects with construction manager contracts totaling \$5.5 million and in progress during the audit period to determine compliance with District policies and procedures and provisions of State laws and rules. Specifically, we:
 - Examined records to determine whether the construction managers were properly selected and if the District had verified the managers' licenses.
 - Reviewed District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined records to determine whether the architects were properly selected and adequately insured.
 - Examined records supporting the 19 payments totaling \$3.4 million to the construction managers to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- From the population of maintenance contractual service expenditures totaling \$793,861 during the audit period, examined District records supporting 10 selected expenditures totaling \$210,651 to determine whether the contractor was paid in accordance with the contract and the expenditure was reasonable based on the services provided.
- 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 required to be subjected to an expedited review during the audit period, we examined 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 Florida Department of Education (FDOE) pursuant to Section 1002.345(1)(c), Florida Statutes.

- From the population of contractual services payments totaling \$8.9 million during the period July 1, 2015, through April 26, 2016, examined supporting documentation, including contract documents, for nine selected contractual service payments totaling \$1.9 million related to nine contracts to determine whether:
 - 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.
- Evaluated the adequacy of District Virtual Instruction Program (VIP) policies and procedures.
- Examined District records for the audit period 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 required VIP tuition or student registration fees prohibited by Section 1002.45(3)(e), Florida Statutes.
- Examined District records for the audit period to evaluate whether VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency as required by Section 1002.45.3(a) and (b), Florida Statutes.
- Examined student records and evaluated District procedures for the audit period to determine whether the District ensured that VIP students were provided all the necessary instructional materials and, for those eligible students who did not already have such resources in their home, the computer resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- For the two FDOE-approved VIP providers that contracted with the District for the audit period, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- From the population of 601 students (25 full-time and 576 part-time) 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 (i.e., 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 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.
 - Examined contract fee provisions and reasonableness of such fees.

- Evaluated District-established controls to determine whether residual VIP funds were restricted and used for the District's local instructional improvement system or other technological tools, as required by State law.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



200 Reid Street • Palatka, Florida 32177

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March 14, 2017

Ms. Sherrill F. Norman, CPA
Auditor General
Claude Denson Pepper Building, Suite G74
111 W. Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Attached is our response to the preliminary and tentative audit findings and recommendations that may be included in a report to be prepared on the operational Audit of the Putnam County School District for the fiscal year ended June 30, 2016.

My staff and I appreciate your efforts to assist us in improving our operations, and we appreciate the professionalism of the auditors assigned to our audit.

Should you have any questions regarding the attached responses, please contact Mrs. Rhonda Odom, Assistant Superintendent for Business and Finance, at 386-329-0513.

Sincerely,

A handwritten signature in blue ink that reads "Richard M. Surrency, Sr." The signature is fluid and cursive.

Richard M. Surrency, Sr.
Superintendent
Putnam County District Schools

RS/alf

Finding 1: Selection of Construction Management Entity

Recommendation: The District should enhance procedures to ensure and document that CMEs are competitively selected using the process prescribed by State law and that the CMEs have the required license.

Response: It is accurate that the District entered into a lease agreement with First Coast Technical College (FCTC). However, the District did not solicit a request for qualifications for CME's to perform the College Classroom Renovation Project. Instead, FCTC proceeded with the project without notifying the District or involving us in the CME selection or the bidding process. The District was not privy to this information until a GMP was brought to the Board for approval. If the District had been aware of the bid opening, District personnel would have been present to ensure and document that CME's were competitively selected using the process prescribed by State Law, as was evident with the Transportation Facility and Middleton-Burney Classroom Additions Projects.

Finding 2: Monitoring Construction Pay Requests

Recommendation: Before CME payments are made, the District should obtain supporting documentation, such as subcontractor invoices, bids, and related contracts, so that the amounts requested by the CME can be verified.

Response: The College Classroom Renovation Project was an unconventional project for the District. Due to the intentional lack of coordination by First Coast Technical College with the District's Facilities Department, invoices were initially being processed through the District's Purchasing Department. Once it was realized, the invoices came to the Supervisor of Facilities to ensure that the various requirements for construction/capital projects were followed. This included verification of pay requests prior to being processed for payment.

Finding 3: Subcontractor Selection

Recommendation: The District should establish procedures to verify that CMEs select subcontractors using a competitive process. Such procedures should require documented attendance by District personnel at subcontractor bid openings and comparisons of the subcontractor bid awards to the subcontractor contracts to verify that the bid awards and contract amounts agree.

Response: The District has policies and procedures in place that are followed for construction/capital projects run by the District. However, as stated in the response to Finding 1, First Coast Technical College proceeded with the College Classroom Renovation Project without notifying the District or involving us in the CME selection or the bidding process. If the District had been made aware of the bid openings, District personnel would have been present to ensure that proper procedures were followed as was evident with the Transportation Facility and Middleton-Burney Classroom Additions Projects. This includes verifying that CME's selected contractors using a competitive process.

Finding 4: Subcontractor Licenses

Recommendation: The District should enhance procedures to ensure subcontractors are appropriately licensed before they commence work on District facilities.

Response: These projects were run through the CME process and contracted using the AIA A133 contract agreement. Pre-qualification of all bidding subcontractors is included in the CME's scope of work. This process includes

procurement of current licenses and insurance certificates. These are maintained through the duration of the project. Bonds were provided to protect the District. Licenses and insurance certificates are normally provided prior to issuing a permit for any subcontracted work contracted directly with the District.

Finding 5: General Conditions Costs

Recommendation: The District should establish written policies and procedures for negotiating and monitoring general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs, and the receipt and review of sufficiently detailed documentation supporting CME general conditions costs pay request.

Response: It has historically been the District's policy to use lump sum general conditions costs on CME contracts for approximately the past 20 years. General condition costs were negotiated during the early phases of preparing a GMP. In addition, cost considerations were discussed and accounted for regarding the location, duration, and size of the project. For all future projects, the District will ensure that there is adequate documentation for general conditions costs, regardless of whether they are lump sum or reimbursable.

Finding 6: Payroll and Personnel – Performance Salary Schedule

Recommendation: The Board should ensure that the performance pay of instructional and school administrative personnel complies with State law by establishing performance pay salary schedules that include salary adjustments for effective evaluations that are no more than 75 percent of the annual adjustment provided for a highly effective employee of the same classification. Additionally, the Board should continue efforts to ensure that salary schedules specify performance pay amounts for school administrators.

Response: Performance pay for instructional and school administrative employees was paid according to the contracted schedule between PCSD and the Putnam Federation of Teachers/United.

Finding 7: Florida Best and Brightest Teacher Scholarship Program

Recommendation: The District should ensure that Program scholarships are awarded to eligible recipients based on teacher evaluations of highly effective that appropriately consider student performance and on qualifying college entrance exam scores reported on reliable and authentic records. Records of college entrance exam scores could include college transcripts or final exam reports. In addition, the District should refund the FDOE for the awards totaling \$74,304 paid to the ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Response: Information was made available to all applicants for the Best & Brightest Scholarship. Upon receipt of the preliminary and tentative audit finding report, individual memorandums were sent to the applicants who are in question. The District will determine the outcomes of these awards with the assistance of FDOE to determine if these awards should be refunded to FDOE and restitution sought.

Finding 8: Background Screenings – Employees and Contract Workers

Recommendation: The District should take immediate action to identify employees, contractor workers, and charter school employees who have not obtained the required background screenings, ensure the screenings are promptly

obtained and evaluated, and make decisions as necessary, based on evaluations of the screenings. To help monitor and ensure that required background screenings are performed at least once every 5 years, we recommend that the District ensure that the tracking report for District employee background screenings is complete and also maintain a comprehensive, up-to-date list of contractor workers subject to the screenings.

Response: It is the process of the Staff Services Department to notify applicants for required background screenings via e-mail. Applicants do not always schedule these screenings in a timely manner. As far as procedures for contracted workers, our Department isn't always notified of contractor names/employee names. We will notify the Purchasing Department they must notify the Department of Staff Services of any new companies/contractors prior to them performing work on any Putnam County School District properties. Information regarding fingerprint procedures will be given to the Purchasing Department. Contracted worker information is maintained by Kelly Educational Staffing and Remedy. Upon receipt of any criminal activity, we are notified by the respective hiring agency. The Staff Services Department does not maintain this information, as these are not our employees. To ensure all employees and contractors are screened every five years, we will implement a spreadsheet of expiration dates for employees, contractors and charter school employees.

Finding 9: Background Searches – Volunteers

Recommendation: To ensure that volunteers with unsuitable backgrounds do not have direct contact with school children, District personnel should continue efforts to document the review of school volunteer background searches. The District should also ensure that any future agreements with entities that provide background search services contain necessary provisions.

Response: We have contracted with Raptor Technologies starting the 2016-17 school year to provide screening for all volunteers that work with students. In addition, any volunteer that might work in an unsupervised capacity is also required to pass a level two criminal background check through the Raptorware system. The system requires volunteers to be screened upon every visit to the school. Any volunteer that works in an unsupervised capacity must be approved through the system before they will even show up on the database for sign-in purposes.

Finding 10: Virtual Instruction Program – Policies and Procedures

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

Response: The District has created the Virtual School Policies and Procedures Manual and updated policy 2370.01.

Finding 11: Virtual Instruction Provider Contracts

Recommendation: The District should ensure that NEFEC's contract with the FDOE-approved VIP provider contract includes provisions for promoting data quality, specifying the minimum required security controls, and monitoring provider compliance.

Response: The District contacted the Virtual Instruction Program Coordinator for My District Virtual School at NEFEC, Melissa Kowieski, and received the following assurance on February 28, 2017:

NEFEC will ensure that contract language from each provider includes the following language:

- **Provider Name** will ensure accurate and complete educational data on behalf of the District that are readily available, accessible, secure, and accurate.
- **Provider Name** will ensure the security controls necessary to meet or exceed the requirements for confidentiality, availability, and integrity of critical and sensitive educational data required by FERPA

Title 20, Section 1232g. [Vendor will provide an outline of how data are stored, transmitted, and who has access in an Attachment or Exhibit to the Contract.

- **Provider Name** will allow Districts served through MyDistrict Virtual School to monitor compliance of any of the terms provided in the contract, including, but not limited to; security of educational data, confidentiality of records, access to appropriate educational materials, etc.

Finding 12: Virtual Instruction Program – Computer Resources

Recommendation: The District should continue efforts to ensure that qualified VIP students have the necessary computer resources.

Response: The District will send a letter to all parents, via Skyward access portal on March 14, 2017, that states the virtual opportunities available to Putnam County School District students. Links to learn more about the programs offered as well as enrollment periods are included in the letter. At the Principal Meeting on March 14th, this attachment in Skyward and the process for virtual school enrollment was discussed. When students apply for the program the department reviews the Virtual Education Eligibility Form and if needed, students are able to fill out the My District Virtual School Hardship Request for Technology.

Finding 13: Information Technology – Access Privileges

Recommendation: The District should continue efforts to ensure the assignment of appropriate access privileges, periodic review of access privileges assigned to all user groups, and timely removal or adjustment of any unnecessary or inappropriate access detected. Such efforts should include removal of unnecessary access privileges assigned to the employees identified by our audit procedures.

Response: The district will continue to build groups according to job title and function to align access levels to the duties of the position. The restructuring of district level groups will make it more manageable for IT staff to periodically monitor access privileges and remove those deemed unnecessary.

Finding 14: Information Technology – Disaster Recovery Plan

Recommendation: The District should test the disaster recovery plan annually.

Response: District staff did provide the auditor with a Disaster Recovery Plan meeting the requirements stated in paragraph 2 under Finding # 14. On November 29, 2016, a tabletop review of the Disaster Recovery Plan occurred to ensure that all members of the DRP team understood their respective roles. On December 15, 2016 from 9:00 a.m. – 11:45 a.m. the Supervisor of Network and Infrastructure conducted a Disaster Recovery exercise to test Windows back up restoration. The recovery was successful and is documented in the Disaster Recovery Plan. On February 6, 2017 from 5:00 p.m. to 7:00 p.m., the District implemented its Disaster Recovery Plan when services were disabled to install a core distribution router. Again, the recovery was successful and is documented in the Disaster Recovery Plan. On January 9, 2017 a network wide outage occurred as a result of external environmental factors. The DRP team reacted quickly and notified school and district staff of the outage which lasted approximately four hours. Systems and resources were recovered and functional. At minimum district DRP staff will test the plan annually to ensure that critical IT operations, information systems, data, and resources are maintained.