

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2020-121
February 2020

**ORANGE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 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, Vice Chair | 3 |
| Pam Gould | 4 |
| Kathleen "Kat" Gordon | 5 |
| Nancy Robinson | 6 |
| Christine Moore | 7 |

The team leader was Patricia A. Tindel, CPA, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Gregory L. Centers, CPA, Deputy Auditor General, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 412-2888.

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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. 2017-132. Our operational audit disclosed the following:

Finding 1: The District did not verify the eligibility of District charter school recipients of Florida Best and Brightest Teacher Scholarship awards totaling \$528,000. Additionally, the District awarded \$192,400 to prekindergarten teachers who did not meet the statutory definition of a classroom teacher and, therefore, were not eligible for the awards.

Finding 2: District controls needed strengthening to ensure accurate reporting of instructional contact hours for adult general education classes to the Florida Department of Education.

Finding 3: District procedures did not always ensure the supervisory review and approval of employees' time worked. A similar finding was noted in our report No. 2017-132.

Finding 4: As similarly noted in our report No. 2017-132, credit cards were not always promptly canceled when cardholders separated from District employment.

Finding 5: Some unnecessary information technology user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

Finding 6: District security controls related to data loss prevention continue to need improvement.

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 2017-18 fiscal year, the District operated 191 elementary, middle, high, and specialized schools; sponsored 40 charter schools; and reported 207,253 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program¹ to reward classroom teachers² who achieved high academic standards during their own education. Pursuant to State law,³ once a classroom teacher is deemed eligible for this award by the District, 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.

Charter schools were required to submit to the District a list of the charter school teachers determined to be eligible for the scholarships. District personnel were responsible for determining teacher eligibility for the scholarships and annually submitting a list of the eligible teachers to the Florida Department of Education (FDOE). The FDOE then disbursed scholarship funds to the District for each listed classroom teacher to receive a scholarship as provided in State law. However, the District had not established procedures to verify that only eligible charter school classroom teachers were included on the list to the FDOE as the District relied on charter schools to determine scholarship recipient eligibility. District reliance on charter school procedures increases the risk for scholarships to be awarded to ineligible scholarship recipients.

During the 2017-18 fiscal year, the District awarded scholarships totaling \$18 million to 10,205 District teachers and scholarships totaling \$528,000 to 268 charter school teachers. We scanned District records and identified scholarship recipients who were prekindergarten (Pre-K) teachers and, therefore, did not meet the statutory definition of a classroom teacher. Specifically, 138 District Pre-K teachers were awarded scholarships totaling \$192,400 and 10 charter school Pre-K teachers were awarded scholarships totaling \$18,000. In response to our inquiry, District personnel stated that Pre-K teachers were paid because they are part of the K-12 District, perform the functions that other classroom teachers perform, and are evaluated using the same evaluation system as all other District teachers. Notwithstanding this response, the term “Prekindergarten Instructor” is defined separately in State law⁴ and the scholarship is limited to classroom teachers, which State law defines as K-12 personnel.

To determine whether other recipients met the eligibility requirements for the scholarships, we requested for examination District records supporting the eligibility of 30 District recipients awarded scholarships totaling \$106,000 and 20 charter school recipients awarded scholarships totaling \$70,000. District records were available to support the eligibility of the 30 District recipients and, subsequent to our request, the District obtained documentation from the charter schools that supported the eligibility of the 20 charter

¹ Section 1012.731, Florida Statutes (2018). Chapter 2019-23, Laws of Florida, renamed the Program the Florida Best and Brightest Teacher Program and substantially revised the award process effective July 1, 2019.

² Section 1012.01(2), Florida Statutes, defines classroom teachers K-12 staff members assigned the professional activity of instructing students in courses in classroom situations, including basic instruction, exceptional student education, career education, and adult education, including substitute teachers.

³ Section 1012.731(3)(b), Florida Statutes (2018).

⁴ Section 1002.51(6), Florida Statutes, defines prekindergarten instructors to include teachers who provide instruction to students in a prekindergarten program.

school scholarship recipients. However, our procedures do not substitute for the District's monitoring responsibilities to verify charter school recipient eligibility.

Absent effective procedures to verify scholarship recipient eligibility, there is an increased risk that scholarships will be awarded to ineligible recipients. A similar finding was noted in our report No. 2017-132.

Recommendation: To ensure that scholarships are awarded only to eligible recipients, the District should appropriately train employees responsible for administering the Program. In addition, the District should establish procedures to document verifications that the charter school classroom teachers reported by the charter schools are eligible for scholarship awards. The District should also take appropriate actions to remedy any improper scholarships awarded during the 2018-19 fiscal year, including the ineligible awards totaling \$210,400 we identified.

Finding 2: Adult General Education Classes

State law⁵ defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. The District received State funding for adult general education, and General Appropriations Act⁶ proviso language required each school district to report enrollment for adult general education programs in accordance with FDOE instructional hours reporting procedures.⁷ State Board of Education (SBE) rules⁸ require the District to collect and maintain enrollment and attendance information on students based on minimum enrollment requirements for funding and mandatory withdrawal procedures for students for non-attendance. A minimum enrollment threshold of 12 hours of attendance for each program must be met before a student can be counted for funding purposes. Instructional contact hours are reported up to and including the last date of attendance but should not include any instructional contact hours reported for any period beyond the last date of actual attendance.

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

The District reported 1,191,109 instructional contact hours provided to 9,690 students enrolled in 17,697 course sections during the 2017 and 2018 Fall Semesters. As part of our audit, we examined District records for 2,498 hours reported for 20 students enrolled in 30 adult general education classes. We found that the District inadvertently recorded the instructional contact hours for 6 students based on the students' scheduled course start date rather than their first day of attendance. In addition, because of employee misunderstandings, the District did not appropriately process excessive absences for 2 students as administrative withdrawals. As a result, for these 8 students, instructional contact hours were over reported by 129 hours.

⁵ Section 1004.02(3), Florida Statutes.

⁶ Chapter 2017-70, Laws of Florida, Specific Appropriation 122.

⁷ FDOE-issued Technical Assistance Paper, August 4, 2017, *Adult General Education Instructional Hours Reporting Procedures*.

⁸ SBE Rule 6A-10.0381(5), Florida Administrative Code.

Since funding is based, in part, on enrollment data reported to the FDOE, it is important that the District report accurate data.

Recommendation: The District should strengthen controls to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. In addition, the District should determine the extent of the adult general education hours misreported and contact the FDOE for proper resolution.

Finding 3: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked by employees to ensure that compensation payments are appropriate and leave balances are accurate. The District pays noninstructional administrative and technical employees (e.g., deputy superintendents, directors, principals, and assistant principals) on a payroll-by-exception basis whereby the employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period.

During the 2017-18 fiscal year, the District had 1,601 noninstructional administrative and technical employees who were compensated a total of \$109.8 million. District personnel indicated that, to document leave used, these employees submit electronic leave requests to cost center supervisors for review and approval through the District online payroll system. However, neither District electronic nor paper records evidenced time worked by these employees.

In response to our inquiry, District personnel indicated that the Fair Labor Standards Act did not require noninstructional and exempt employees to complete a time sheet. Additionally, District personnel indicated that the District has appropriate mechanisms in place for the reporting of, and supervisory approval of, leave time for these employees. Notwithstanding these responses, without evidence of noninstructional administrative and technical employee time worked and documented supervisory review, there is limited assurance that the employee services were provided consistent with Board expectations. In addition, without accurate records of supervisory review of time worked, there is an increased risk that employees may be incorrectly compensated, employee leave balances may not be accurate, and District records may not be sufficiently detailed in the event of a salary or leave dispute. A similar finding was noted in our audit report No. 2017-132.

Recommendation: To support the payroll and leave balance record-keeping processes, the District should establish a mechanism for recording time worked by noninstructional administrative and technical employees and require and ensure that independent, supervisory review and approval of time recorded as worked for these employees is documented.

Follow-Up to Management's Response

Management correctly indicated in the written response that the Fair Labor Standards Act does not require employers to maintain records indicating the hours worked for exempt employees. Notwithstanding the lack of requirement in Federal law, given the District's responsibility to monitor the services of its noninstructional administrative and technical employees and the significant costs totaling \$109.8 million associated with these services for the 2017-18 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 4: Credit Card Cancellations

To expedite the purchase of selected goods and services, the District uses credit cards to, for example, purchase school activity items and other non-capital goods and services and for expenditures related to District public officer and employee travel. Payments 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 *Purchasing Card Manual (Manual)*.⁹ The *Manual* provides that 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 change form to the Purchasing Card Administrator to cancel the card within 24 hours after the individual separates from employment.

District credit card expenditures totaled \$11.3 million for the 2017-18 fiscal year and, as of June 30, 2018, there were 1,306 credit cards in use. To determine whether the District promptly canceled credit cards, we examined District records for 27 of the 110 cardholders who separated from District employment. We found that the District did not promptly cancel the credit cards for 11 of the 27 selected cardholders as the cards were not canceled until 11 to 173 days, or an average of 96 days, after the cardholders' employment separation dates.

In response to our inquiries, District personnel indicated that the credit card cancellations were delayed because the Purchasing Card Administrator was not timely notified of the employment separations. District personnel also indicated that, in August 2018, a weekly reporting process was developed and implemented to identify when employees discontinue employment and to notify the financial institution to cancel the credit card.

While our examination of credit card activity for these 11 credit cards did not disclose any unauthorized purchases after the individuals separated from District employment and the financial institutions that administer the District credit cards allow 60 days from the transaction date to dispute a charge, 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. A similar finding was noted in our audit report No. 2017-132.

Recommendation: The District should continue efforts to ensure that credit card privileges are promptly canceled upon a cardholder's separation from District employment.

Finding 5: Information Technology User Access Privileges

The Legislature has recognized in State law¹⁰ that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status. Effective controls restrict employees from

⁹ OCPS *Purchasing Card Program Procedures Manual*.

¹⁰ Section 119.071(5)(a), Florida Statutes.

accessing information unnecessary for their assigned duties and provide for documented, periodic evaluations of information technology (IT) access privileges to help prevent employees from accessing sensitive personal information of students inconsistent with their duties.

Pursuant to State law,¹¹ the District identified each student using a Florida education identification number obtained from the FDOE. While each student is not required to provide an SSN upon enrollment, student SSNs are maintained within the District student information system (SIS), for example, so the District can provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies and management directives¹² state that a student identification number is to be used in lieu of the SSN and that any systems purchased or developed by the District will not display the SSN visually on computer monitors or other system output, unless required by law or business necessity.

In July 2019, the District implemented a new SIS and, as part of the implementation, the District migrated student information, including SSNs, into the new system. District personnel indicated that employee access privileges were discussed during meetings with the vendor and the District determined which job classifications would have access to sensitive personal student information. Principals or department heads can review these privileges, make requests to add or delete specific access, and the District plans to implement an annual evaluation of employee access privileges.

As of September 2019, the District SIS contained information for 305,330 current and former students and included the sensitive personal information, including SSNs, for 47,969 current students and 4,909 former District students, and 5,444 District employees had continuous IT user access privileges to this information. According to District personnel, the SIS did not have a mechanism to differentiate the access privileges granted to current and former student information, although the employees with continuous access to both did not always have a demonstrated need for such access.

For example, District personnel indicated that media specialists may help parents and students apply for colleges and scholarships; however, we noted that many of the media specialists with access to student SSNs worked in elementary schools and, while District personnel indicated that some of these employees may perform administrative functions, District records were not readily available to explain why these employees had such access. Although District personnel indicated that employee access to sensitive personal information is needed for reporting full-time enrollment for processing various Federal programs, scholarships, and transcripts, and that consolidating job responsibilities would require restructuring of positions, the existence of Districtwide IT user access privileges increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information may be used to commit a fraud against current or former District students. In response to our inquiries, District personnel indicated that they are willing to conduct further evaluations of the necessity of employee access to sensitive personal information of students and determine from the vendor whether student SSNs could be masked within the demographic security groups.

Recommendation: To ensure that access to sensitive personal information of students is properly safeguarded, the District should:

¹¹ Section 1008.386, Florida Statutes.

¹² Board Policy CDG, *Social Security Number Protection Policy*, and Management Directive A-15, *Employee Responsibility in the Proper Use of Sensitive Data*.

- Document evaluations of IT user access privileges to determine whether such privileges are necessary and ensure the timely removal of any inappropriate or unnecessary access privileges detected. Such efforts should ensure that access is granted only to those whose job duties require such access and only when necessary.
- Upgrade the District SIS to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.

Finding 6: Information Technology Security Controls – Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed that certain District controls related to data loss prevention needed improvement. We are not disclosing specific details of the issue in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issue.

Without adequate security controls related to data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to data loss prevention were communicated to District management in connection with our report Nos. 2017-132 and 2014-147.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report Nos. 2014-147 and 2017-132 except as noted in Findings 1, 3, 4, and 6 and shown in Table 1.

**Table 1
Findings Also Noted in Previous Audit Reports**

| Finding | 2015-16 Fiscal Year Operational Audit Report No. 2017-132, Finding | 2012-13 Fiscal Year Financial, Operational, and Federal Single Audit Report No. 2014-147, Finding |
|----------------|---|--|
| 1 | 4 | Not Applicable |
| 3 | 1 | Not Applicable |
| 4 | 6 | Not Applicable |
| 6 | 10 | 11 |

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 July 2018 through August 2018 and from April 2019 through September 2019 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. 2017-132.
- 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 2017-18 fiscal year audit period, and selected District transactions prior and subsequent to that period. 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 the District's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT resources. We examined 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' 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 and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
 - Tested the 11 roles 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 73 accounts.
 - Tested the 13 roles that allowed update access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for 92 accounts.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated the adequacy of District procedures related to security incident response and reporting.
- Evaluated District procedures for protecting sensitive personal information of students, including social security numbers.
- Examined Board, committee, and advisory board meeting 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 anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.

- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2018, to determine whether the total was less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to evaluate the District's ability to make future debt service payments.
- From the population of expenditures totaling \$364.6 million during the audit period from nonvoted capital outlay tax levy proceeds, voted sales tax proceeds, and other restricted capital project funds, examined documentation supporting selected expenditures totaling \$6.6 million to determine 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 \$52.4 million for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 385 industry certifications eligible for the 2016-17 fiscal year performance funding, examined 30 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 1,191,109 contact hours for 9,690 adult general education instructional students enrolled in 17,697 adult general education course sections during the 2017 and 2018 Fall Semesters, examined District records supporting 2,498 hours for 20 selected students enrolled in 30 classes to determine whether the District reported the instructional contact hours in accordance with State Board of Education Rule 6A 10.0381, Florida Administrative Code.
- Examined the District Web site to determine whether the 2017-18 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- 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 2017-18 fiscal year.
- Reviewed organizational charts, audit plans, and audit agendas for the audit period to determine whether the internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(l), Florida Statutes. We also determined whether the internal auditor developed audit work plans based on annual risk assessments considering input from other finance and administrative management.
- Examined District records 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 Board policies, District procedures, and related records for volunteers for the audit period 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.
- Examined District records supporting the eligibility of 30 District and 20 charter school recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 10,205 District and 268 charter school teachers who received scholarship awards totaling \$18 million during the audit period.
- Scanned District records supporting the 10,205 District and 268 charter school teachers who received scholarship awards totaling \$18 million to determine whether pre-kindergarten teachers were inappropriately awarded scholarships.
- Evaluated the District's procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. We also examined District

records to determine whether the District submitted to the FDOE accurate information about the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes, and whether the District timely awarded the correct amount to each eligible principal.

- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate based on Board policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board approved contributions.
- Examined District records to determine whether supervisors documented review and approval of time worked by noninstructional administrative and technical employees.
- From the 23 significant construction projects with expenditures totaling \$555.2 million during the audit period, examined documentation for 1 selected project with expenditures of \$5.7 million to determine compliance with Board policies, District procedures, and provisions of State laws and rules. Specifically, we:
 - Examined District records to determine whether the construction manager was properly selected.
 - Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the District ensured subcontractors were properly selected and licensed.
 - Examined District records to determine whether architects were properly selected and adequately insured.
 - Evaluated whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs.
 - Examined District records supporting 10 selected payments totaling \$9.1 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Pursuant to Section 1013.64(6)(d)2., Florida Statutes, obtained from the FDOE the May 2019 reports of District student station costs. We examined District records for the project completed during the audit period to determine whether the May 2019 reports accurately reported student station costs.
- From the population of credit card transactions totaling \$11.3 million during the audit period, examined documentation supporting 30 selected transactions totaling \$325,341 to determine whether credit cards were administered in accordance with Board policies and District procedures. We also determined whether the District promptly canceled the credit cards for 27 cardholders who separated from District employment during the period July 2017 through June 2018.
- From District distributions totaling \$903,044 during the period July 2016 through June 2018 to the District's direct-support organization, examined District records supporting distributions totaling \$865,000 to determine whether the legal authority for the distributions was documented.
- Reviewed District procedures and supporting documentation to evaluate whether the District effectively monitored charter schools' annual audits and monthly financial reports for deteriorating financial conditions.
- For the one charter school charter that was terminated in the 2016-17 fiscal year, 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.

- 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.
- Examined District records and evaluated District procedures to determine whether the District distributed the correct amount of local capital improvement funds to its eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We examined District records to determine whether the District identified eligible schools, including charter schools, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged student, and distributed all remaining funds to all eligible schools in accordance with Federal law and regulation.
- From the population of contractual services payments totaling \$97.3 million during the audit period, examined supporting documentation, including the contract documents, for 23 selected payments totaling \$5.5 million related to 23 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.
 - The 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, we reviewed District records to determine whether the District appropriately reported to the FDOE, pursuant to the 2017 General Appropriations Act (Chapter 2017-234, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.
- Evaluated the adequacy of District Virtual Instruction Program (VIP) policies and procedures.
- 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.
- 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



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February 4, 2020

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RE: Audit of Orange County District School Board – Fiscal Year Ended June 30, 2018

Dear Ms. Norman:

Per your letter dated January 6, 2020, the following represents our responses to the findings noted.

Finding No. 1: Florida Best and Brightest Teacher Scholarship Program

Response: The District will recoup bonus payments paid to ineligible Pre-K teachers. The District will update program procedures to ensure that recipients meet the eligibility requirements for the Florida Best and Brightest Teacher Scholarship Program.

Finding No. 2: Adult General Education Classes

Response 1: To alleviate the over-reporting of instructional hours for students that do not start on their scheduled start date, the District has updated the programming logic to extract the data as of the first day of attendance.

Response 2: To alleviate the over reporting of instructional hours for students with six consecutive absences, the students will be withdrawn accordingly as of the day after the last date of attendance. Upon their return during the next nine-week session, the students will be registered into a new section number.

Finding No. 3: 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

"The Orange County School Board is an equal opportunity agency."

and approved by each supervisor through the online payroll system. All administrative employees are exempt under the Fair Labor Standards Act. The record keeping requirements of the Act do not require employers to maintain records indicating the hours worked for exempt employees. Pursuant to 29 C.F.R. 516.3, titled "Bona fide executive, administrative and professional and professional employees (including academic administrative personnel and teachers in elementary or secondary schools)," the record keeping requirements for employers are enunciated as follows: "With respect to each employee in a bona fide executive, administrative or professional capacity (including employees employed in a capacity of academic administrative personnel or teachers in elementary or secondary schools)...employers shall maintain and preserve records containing all of the information and data required by s. 516.2(a) **except paragraph (a)(6) through (10)...**"

Pursuant to 29 C.F.R. 516.2(a)(7), the records employers must keep for non-exempt hourly employees are, "hours worked each work day and total hours worked each work week..." Based upon 29 C.F.R. 516.3, the District is exempt under the Fair Labor Standards Act from being required to keep records of hours worked for exempt employees because the requirement to document the hours worked in a work day and work week are contained in 29 C.F.R. 516.2(a)(7).

Additionally, the Fair Labor Standards Act is very clear that exempt employees may not be docked for time not worked if they work any period during the work week. See 29 C.F.R. 541.602(a)(a): "Subject to the exceptions provided in paragraph (b) of this section, **an exempt employee must receive their full salary for any week in which the employee performs any work without regard to the number of days or hours worked.**" The exemptions in paragraph (b) include absences of a day or more due to sickness or disciplinary suspension.

As such, time sheets for administrative employees could not serve as a basis for decreasing the salary for an exempt administrative employee even if the employee did not work certain portions of a work day. If the District were to improperly reduce salary for certain portions of a work day not worked, it would lose its exemption under the Act to not pay administrative employees overtime. See 29 C.F.R. 541.603(a)(1): "An employer who makes improper deductions from salary shall lose the exemption if the facts demonstrate that the employer did not intend to pay employees on a salary basis."

Finding No. 4: Credit Card Cancellations

Response: Management agrees. The District now receives a daily report of all terminated employees. The District reviews the report to determine if any terminated employee was issued a purchasing card, and if so deactivates the account. The District will continue efforts to ensure that credit card privileges are promptly cancelled upon a cardholder's separation from District employment.

Finding No. 5: Information Technology User Access Privileges

Response 1: The District has made several changes to the security process surrounding student SSNs. These changes were fully implemented as of 12/20/19, which resulted in the reduction of 1,208 district staff with access to the student SSN in the student information system.

Response 2: The District is working with the vendor to hide the SSNs for any inactive students from all users, except from the District IT staff who maintain and support the student information system. The District will implement this change by the end of February 2020.

Finding No. 6: Information Technology Security Controls – Data Loss Prevention

Response: The District plans to develop additional policies and procedures relating to data loss prevention to ensure the confidentiality, integrity, and availability of data and IT resources.

Respectfully submitted,



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Chief Financial Officer



Barbara M. Jenkins, Ed.D
Superintendent