

**DUVAL COUNTY**  
**DISTRICT SCHOOL BOARD**

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**Operational Audit**



## BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	District No.
Stan Jordan to 10-5-09 (1)	1
Martha E. Barrett from 10-6-09 (2)	1
Nancy S. Broner, Vice Chair from 11-17-09	2
William C. Gentry	3
Brenda A. Priestly Jackson, Vice Chair to 11-16-09, Chair from 11-17-09	4
Betty Seabrook Burney	5
Victoria L. Drake	6
Thomas L. Hazouri, Chair to 11-16-09	7

William E. Pratt-Dannals, Superintendent

- Notes: (1) Effective resignation date  
(2) Term start date based on special election

The audit team leader was Randy R. Arend, CPA, and the audit was supervised by John P. Duffy, CPA. For the information technology portion of this audit, the audit team leader was Heidi Burns, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at [gregcenters@aud.state.fl.us](mailto:gregcenters@aud.state.fl.us) or by telephone at (850) 487-9039.

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**DUVAL COUNTY**  
District School Board

**SUMMARY**

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: District records did not evidence that performance assessment procedures for instructional personnel included consideration of student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 2: Leave forms were not always prepared and maintained to document employee absences.

CONFIDENTIAL INFORMATION

Finding No. 3: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

CONSTRUCTION ADMINISTRATION

Finding No. 4: The District did not use a competitive selection process to obtain architectural services for classroom addition projects at five schools, contrary to applicable laws and rules.

Finding No. 5: Procedural improvements were needed in controls over design-build and construction management projects.

CASH COLLECTIONS

Finding No. 6: The District did not always timely deposit its food service cash collections or follow-up on discrepancies noted between reconciliations of reported cash collections and bank deposits.

EXPENDITURES

Finding No. 7: The District needed to enhance controls over its purchasing card program.

CONTRACT MONITORING

Finding No. 8: The District needed to enhance its procedures for monitoring reimbursements to, and facility-use fees due from, the Schultz Center for Teaching and Leadership.

Finding No. 9: Enhancements were needed in monitoring of insurance for District charter schools.

FACILITY SAFETY

Finding No. 10: The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory.

INFORMATION TECHNOLOGY

Finding No. 11: The District's management of information technology (IT) access privileges needed improvement.

Finding No. 12: The District's IT security controls related to user authentication and logging of security activity needed improvement.

Finding No. 13: The District's IT security program had not been finalized and the District lacked a security awareness training program to facilitate employee on-going awareness of security responsibilities.

Finding No. 14: The District's IT disaster recovery planning procedures needed improvement.

**BACKGROUND**

The Duval County District School Board (District) is part of the State system of public education under the general direction of the Florida Department of Education. Geographic boundaries of the District correspond with those of Duval County. The governing body of the Duval County District School Board (Board) is composed of seven elected members. The appointed Superintendent of Schools is the executive officer of the Board.

During the 2009-10 fiscal year, the District operated 157 elementary, middle, high, and specialized schools; sponsored eight charter schools (one charter school opened and closed during the 2009-10 fiscal year); and reported 124,044 unweighted full-time equivalent students.

The results of our audit of the District’s financial statements and Federal awards for the fiscal year ended June 30, 2010, will be presented in a separate report.

**FINDINGS AND RECOMMENDATIONS**

**Personnel and Payroll**

**Finding No. 1: Performance Assessments**

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee’s ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, requires that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, except that the instructional personnel were not evaluated primarily based on student performance using data such as FCAT scores. According to District personnel, this occurred because the FCAT scores were not available when evaluations of instructional personnel were performed in March 2010, and the District is required, pursuant to Section 1012.33, Florida Statutes, to notify professional service contract instructional personnel of unsatisfactory performance no later than six weeks before the end of the school year. Although the District did not timely receive the FCAT scores, the FCAT scores were not used after receipt for the performance assessments of instructional personnel pursuant to Section 1012.34(3), Florida Statutes, to ensure appropriate consideration of student performance. Without measuring employee performance by the required criteria, performance assessments of instructional personnel are incomplete and may not effectively communicate the employee’s accomplishments or shortcomings.

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**Recommendation:** The District should enhance its procedures to ensure that performance assessments for instructional personnel include consideration of applicable student performance measures, such as FCAT results.

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**Finding No. 2: Attendance and Leave Records**

Under the District’s System Management for Attendance in Real Time (SMART) procedures, contracted full-time employees are compensated on a payroll by exception basis in which gross salary payments will be the same amount from one payroll cycle to the next, unless specific actions are taken to change the scheduled contract hours or rate of pay. Although timesheets are not required for contracted employees, Board policy requires the submission of leave forms for all absences. Hourly employees are required to maintain timesheets evidencing the number of hours worked and to submit a leave form for all absences.

The District transitioned implementation of the SMART procedures from the Payroll Department to middle and high schools during the 2008-09 fiscal year; elementary schools during the 2009-10 fiscal year; and departments during the 2010-11 fiscal year. While decentralizing the attendance and leave reporting, the District implemented a SMART review process during the 2009-10 fiscal year to evaluate whether District personnel were following the prescribed procedures. As of June 30, 2010, the District had conducted SMART reviews for 33 of 157 schools, and we examined SMART reviews from 5 schools for 12 pay periods to determine the effectiveness of the revised procedures for entering and approving leave. Based on the District’s reviews, numerous inconsistencies were noted between payroll system records and the support maintained by the schools. For example, the SMART review at one school disclosed 19 leave entries for various employees that were not supported by leave forms. Also, the SMART reviews at the other four schools noted instances of reported leave not supported by leave forms, ranging from one to four instances per school.

Timely and complete records of the use of leave are necessary to support the accuracy of salary payments, leave balances, and payment for unused leave. Upon inquiry, we were advised by District personnel that the District intends to standardize the SMART review process, extend the reviews to all schools and departments, and use the reviews to further educate timekeepers regarding the proper procedures and the importance of accurate and timely leave records.

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**Recommendation:** District management should continue its efforts to standardize the SMART review process, improve the leave documentation process, and emphasize the importance of accurate and timely leave records.

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<b>Confidential Information</b>
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**Finding No. 3: Collection of Social Security Numbers**

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that 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.

Section 119.071(5)(a), Florida Statutes, provides, in part, that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District collects SSNs from students, employees and prospective employees, and certain contracted vendors for record keeping and tax related purposes. The District had assigned unique student and employee identification numbers in certain instances to minimize the need for collecting, maintaining, and using SSNs for identification purposes. Additionally, the District established a committee to address the requirements pertaining to its collection of SSNs, and developed a written statement template to be completed with the specific Federal or State law governing the collection, use, or release of SSNs and the purpose for which SSNs are collected on a form-by-form basis.

The District included the required written statement on many of its forms requesting SSNs; however, certain forms did not contain the SSN disclosure and the District did not provide the required written statement to the individuals who completed the forms. These forms included the Teacher Induction; Student Services Induction; Appeals Process (for not satisfactorily completing the teacher induction program); Reimbursement Request for Teacher Certification; Home School Florida Comprehensive Assessment Test Registration; and General Educational Development Exit Option Waiver. Additionally, the Elementary Enrollment and Secondary Enrollment forms required collection of SSNs and included most of the information required to be provided to the individuals providing their SSNs, except the specific Federal or State law governing the collection, use, or release of SSNs and whether the collection was authorized or mandatory.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. In response to our inquiries, District personnel responsible for the forms generally indicated they were not fully aware of the requirements and that the forms would be modified to comply with the statutory requirements.

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**Recommendation:**     **The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes.**

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<b>Construction Administration</b>
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**Finding No. 4: Professional Architectural Services**

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Section 287.055(3), Florida Statutes, requires that the District publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project in which the basic construction cost is estimated by the agency to exceed a specified amount (\$250,000 for the 2009-10 fiscal year). Section 287.055(10), Florida Statutes, provides, in part, that there shall be no public notice requirement or utilization of the selection process as provided in this section for projects in which the agency is able to reuse existing plans from a prior project

of the District or that of any other district. Section 1013.45(4), Florida Statutes, requires that a district school board reuse existing construction documents or design criteria packages if such reuse is feasible and practical, and allows a board to purchase architectural services for the design of educational or ancillary facilities under an existing agreement for professional services held by a district school board in the State of Florida, provided that the purchase is to the economic advantage of the purchasing board and the services conform to the standards prescribed by rules of the State Board of Education. The Florida Department of Education’s publication, *State Requirements for Educational Facilities – 2007* (SREF), defines a prototype project as an architectural or engineering plan intended for reuse on another site that will be updated for the new site and for compliance with the Florida Building Code, Florida Fire Prevention Code, and any laws relating to fire safety, health and sanitation, casualty safety, and requirements for the physically handicapped that are in effect at the time a construction contract is awarded.

The District issued Qualified School Construction Bonds dated December 30, 2009, totaling \$27,220,000 to fund classroom addition projects at five District schools. In connection with the issuance of these bonds, the Board contracted with architects, a contractor, and construction management entities, as follows:

School	Classrooms / Stories / Square Feet	Architect			Contractor / Construction Manager		
		Selection Date	Selection Basis (1)	Fee	Selection Date	Project Delivery Method (2)	Bid or GMP Amount
Dinsmore Elementary	12 / 2 / 16,600	11-03-2009	Reuse	\$ 197,605	06-02-2010	DBB	\$ 2,654,900
Gregory Drive Elementary	12 / 1 / 16,600	11-03-2009	Reuse	210,375	06-02-2010	DBB	2,227,300
New Berlin Elementary	20 / 2 / 26,600	11-03-2009	Reuse	284,354	06-02-2010	DBB	3,452,200
Ed White High	12 / 1 / 16,600	11-03-2009	Reuse	204,555	01-05-2010	CM	3,600,504
Robert E. Lee High	17 / 2 / 24,600	03-02-2010	Competitive	544,000	07-07-2010	CM	5,859,000 (3)

- Notes: (1) Reuse was based on another school district’s architect contract for classroom additions.  
 (2) DBB = Design-Bid-Build using low bid contractor  
 CM = Construction Management  
 (3) Represents the approved construction budget, guaranteed maximum price not established as of June 30, 2010.

For the first four projects shown in the above table, the architectural services contracts awarded November 3, 2009, were presented to and approved by the Board based on the reuse of an existing St. Johns County School Board contract dated February 10, 2009, for an eight classroom, single story building addition of approximately 15,000 square feet. The St. Johns County contract was awarded on a competitive basis with the architectural firm’s fee negotiated at 5.9 percent of the construction budget for the initial construction and 4.9 percent of the construction budget for reuse of the existing plans within three years. Our review of the District’s procedures for awarding the architect and construction contracts for the four classroom addition projects disclosed the following:

- The District did not reuse the existing St. Johns County School Board construction documents. As previously noted, the St. Johns County design was for an 8 classroom, single story building addition of approximately 15,000 square feet, whereas the designs for the four projects ranged from a 12 classroom, single story with 16,600 square feet, to a 20 classroom, two story with 26,600 square feet. Upon inquiry, District personnel advised us that they were actually reusing an existing contract and not the construction documents, and that the construction documents were actually based upon projects the architectural firm had previously designed for the District for 10 and 14 classroom building additions at two elementary and two middle schools. However, reusing an existing contract without reusing the construction documents is contrary to Section 287.055(10), Florida Statutes, which exempts the public notice and competitive selection process for projects reusing existing plans.

- The architectural services fees the District negotiated for the four projects did not evidence an economic advantage as compared to the St. Johns County School Board contract. The District negotiated architectural services fees ranging from 5.81 percent of the estimated construction costs for Ed White High to 6.66 percent for Gregory Drive Elementary. Except for the Ed White High project, the negotiated fee for each project exceeded the 5.9 percent fee negotiated by St. Johns County School Board for its new classroom addition design, and the negotiated fee for all projects exceeded the 4.9 percent fee negotiated for reuse of existing plans.
- The use of the construction management project delivery method at Ed White High was inconsistent with the reuse of construction documents. Section 1013.45(1)(c), Florida Statutes, provides that the construction management entity is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. However, when construction documents are reused from a prototype project, only minor changes from the initial design should be necessary to update the plans for the new site and for applicable compliance requirements. Therefore, if plans were reused, there would be no need for a construction management entity to be involved during the design phase. Although there are numerous factors affecting construction costs, the use of the construction management project delivery method could have contributed to the approximately \$1.4 million in additional costs as compared to the other 12 classroom, single story classroom addition project (Gregory Drive Elementary).

We also noted that on April 12, 2010, the District awarded a contract to an architectural firm for a new eight classroom day treatment building addition at Eugene Butler Middle to be funded from a future Qualified School Construction Bonds issue. The architectural services contract was awarded based on the reuse of plans for a similar project at Terry Parker High; however, the Terry Parker High project was for a six classroom addition whereas the Eugene Butler Middle project was for eight classrooms. Therefore, it was not evident that the architectural services were for the reuse of an existing design and, as such, why the architectural services contract was not awarded using a competitive selection basis.

In the above circumstances, District records do not evidence that the projects were designed and constructed in the most economical manner, or that construction-related services were obtained in accordance with applicable laws and rules. Upon inquiry, we were advised by District personnel that although the St. Johns County School Board's construction documents were not used, the District was of the opinion there was legal precedent to use the agreement for selecting the architectural firm because the firm had previously designed other District classroom addition projects and a lower fee could be negotiated, time savings would be realized by not using the competitive selection process, and the SREF and Florida Statutes do not clearly define what constitutes a reuse of architectural plans. We were also advised that a construction management entity was used for the Ed White High project because it was the first project design to be completed and the scope of work included additional site improvements for drainage, parking lot, bus loop, and utilities, and construction coordination during the school year to ensure student safety.

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**Recommendation:** The District should revise its procedures to ensure that existing construction documents or design criteria packages are reused if such reuse is feasible and practical. When such reuse is not feasible and practical, the District should utilize the public announcement and a formal competitive selection and negotiation process for architectural services specified in Section 287.055, Florida Statutes.

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#### **Finding No. 5: Construction Services**

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Pursuant to Section 1013.45(1), Florida Statutes, the District may contract for the construction or renovation of facilities using various delivery methods, including design-build (DB) and construction management (CM). Under the DB and CM processes, contractor profit and overhead are contractually agreed upon, and the contracted firm is

responsible for all scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely and economical completion of the construction project. DB and CM firms may also be required to offer a guaranteed maximum price (GMP). The GMP provision allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District.

The District's Facilities Planning and Construction Department is responsible for construction administration. Our review of the \$78.4 million Atlantic Coast High DB project and the \$2.2 million Kernan Middle New Autistic Classrooms CM project disclosed the following:

- The District did not adequately monitor the number and qualifications of DB firm staff assigned to the project during the construction phase. The agreement with the DB firm required that the firm identify its staff assigned to the project and not change any of the persons listed unless mutually agreed to by the District and DB firm. During contract negotiations, the DB firm provided the District with a schedule of staff, job titles, hourly rates, and projected hours on the project (i.e., staffing schedule). The staffing schedule was adjusted during negotiations and used to determine the DB firm's lump-sum construction phase fee included in the GMP. Our review of detailed monthly invoices submitted during the project's construction phase (from June 2008 through February 2010) disclosed that salary costs of two of the DB firm's staff included on the schedule used in negotiating the lump-sum construction phase fee were also charged to the project as a direct reimbursable cost totaling \$259,153.75. Upon inquiry, District personnel responded that a revised staffing schedule excluding the two DB firm staff assigned should have been included in a contract amendment approved by the Board on April 7, 2008, but was instead included in a change order request submitted to the District on August 24, 2009.

Because of the staff changes, we expanded our comparison of the DB firm's anticipated staff assigned in the contract negotiation documentation to the revised staffing schedule and noted that five staff from the contract negotiation documentation were not listed on the revised staffing schedule and three were added. The net decrease of two employees represented approximately \$275,000 of the DB firm's staff costs included in the \$2,552,483 lump-sum construction phase fee. However, there was no reduction in the DB firm's construction phase fee, nor did District records evidence that District personnel had discussed or specifically agreed to the apparent changes and reduction in the DB firm's staff assigned.

Subsequent to our inquiries, District personnel requested and obtained a staffing schedule from the DB firm showing that the individuals who actually worked on the project and the number of hours worked was comparable to the projected hours shown on the staffing schedule used in negotiating the lump-sum construction phase fee. District personnel also obtained revised listings of the staff assigned to the project (included as attachments to the agreement with the DB firm) that would be included in the project's final change order. Although the additional information provided indicates the lump-sum construction phase fee was earned, it also evidences that the District did not adequately monitor the number and qualifications of DB staff assigned during the project.

- Certain project management-related charges included in the approved GMP proposal also appeared to be included in the description of services covered by the lump-sum construction phase fee. For example, the approved GMP proposal included charges of \$31,063 for cost control manager and \$28,000 for project management information systems; however, the agreement with the DB firm provided for a cost control subsystem and project accounting subsystem monitoring to be included in the lump-sum construction phase fee. Subsequent to our inquiries, District personnel requested and obtained additional explanations of these services from the DB firm and, based on the explanations provided, there was no duplicate payment for the same services. However, without an understanding of what these charges represented when the contract was negotiated, the District's ability to monitor periodic progress payments and timely detect and recover improper charges was limited.
- District personnel did not monitor adjustments made to original budget items in the GMP for certain DB firm management-related project costs (general conditions). For example, the approved GMP proposal for the following budget items changed significantly from the original GMP estimates:

Budget Item	GMP Approved Amount	Revised Amount	Amount Difference	Percentage
Tools and Equipment	\$ 71,250	\$ 116,250	\$ 45,000	63%
Rental of Motorized Carts	15,000	35,000	20,000	133%
Miscellaneous Rentals	64,000	262,000	198,000	309%
Dumpster	212,500	128,920	(83,580)	-39%
Forklift and Operator	120,000	70,000	(50,000)	-42%
Temporary Toilets	94,112	61,112	(33,000)	-35%
Telecommunications	73,337	48,337	(25,000)	-34%

Upon inquiry, District personnel provided us explanations for the changes and advised us that individual budget items within the overall general conditions budget are only estimates. District personnel further indicated that the District is mainly concerned with the total general conditions budget, that all expenses are supported by receipts, and that the District typically does not get involved in the DB firm’s means and methods of accomplishing the work. However, monitoring significant variances in the detailed budget items could disclose improper charges or the inefficient use of resources.

- The DB and CM firm’s agreements establish the direct cost items that are allowable project charges. For the Atlantic Coast High and Kernan Middle New Autistic Classrooms projects, the agreements indicated that direct cost items included wages paid for direct labor charges times a multiple of 1.67 and 1.49, respectively, to cover fringe benefits. However, the District did not require that the firms provide documentation supporting each employee’s actual wage rate to ensure that the invoices submitted reflected the proper labor charge, nor was it apparent that the labor burden rates of 1.67 and 1.49 were reasonable. The United States Department of Labor, Bureau of Labor Statistics, reports that benefits generally averaged less than 32 percent of total compensation during the periods in which the agreements were negotiated, which was significantly lower than the 67 percent and 49 percent provided for in the agreements tested.
- As similarly noted in our report No. 2008-084, District personnel did not obtain subcontracts or use bid tabulations to monitor DB and CM firm billings for subcontractor costs. The respective agreements with the DB and CM firms required them to provide, upon request, copies of subcontractor agreements, and District standard operating procedures required that project managers obtain copies of selected subcontracts to validate payments; however, no subcontracts were obtained. Without subcontracts to monitor and verify contractor invoices, there is increased risk that the District may not maximize cost savings under the GMP.

**Recommendation:** The District should revise its procedures to ensure that the number and qualifications of DB staff assigned during the project are consistent with the contract terms, proposed construction management fees are reasonable and services are subsequently provided pursuant to contract provisions, and changes to specific budget items are necessary and reasonable. In addition, such procedures should ensure that the labor burden rates are reasonable in comparison to industry averages and properly applied to each employee’s actual wage rate, and copies of subcontractor agreements are obtained and used in verifying contractor invoices.

**Cash Collections**

**Finding No. 6: Food Service**

The District reported local food service revenues totaling approximately \$15 million for the 2009-10 fiscal year. School cafeteria personnel summarized daily point-of-sale information, submitted reports and cashier tapes to the District’s Food Service Department, and prepared the collections for deposit twice per week by a contracted armored car service. The District’s controls over food service collections were generally adequate; however, we noted control weaknesses over food service cash collections, as discussed below:

- Although the District independently performed comparisons of point-of-sale information and deposits, District personnel did not always timely investigate and resolve the differences noted by this process. At Douglas Anderson School of the Arts, District personnel noted that the point-of-sale information and deposits did not agree, and timely detected missing collections, totaling \$5,871.75, representing 9 meal service days in May 2009. However, at Sabal Palm Elementary, District personnel noted differences between the point-of-sale information and deposits for 19 meal service days from October 2009 through May 2010, but did not detect that the differences represented missing collections, totaling \$7,426.70, until May 2010. For the two schools, the District reported the missing collections to law enforcement agencies and, as of September 30, 2010, the former cafeteria managers of the schools had entered into restitution agreements.
- Our review of collections and deposits at three schools for the month of February 2010 disclosed that, for one school tested, 3 of 20 cash deposits were not timely provided to the armored car service, and were not posted to the District’s bank account until 7 to 9 calendar days after the date of collection. Upon inquiry, District personnel indicated that, although the daily cafeteria cash collections had been placed in the school safe, school personnel were not available to allow the armored car service to retrieve the collections from the safe.

Without timely investigation and resolution of differences between the food service cash collections, and procedures to ensure timely deposit of such collections, there is an increased risk that collections could be diverted or stolen.

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**Recommendation:** The District should enhance its procedures to ensure the timely deposit of all food service collections, and the timely investigation and resolution of differences between point-of-sale information and deposits.

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<b>Expenditures</b>
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**Finding No. 7: Purchasing Card Program**

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The District provides credit cards (purchasing cards) to certain authorized employees for the purchase of goods and services. In general, purchasing cards are designed to efficiently and effectively handle and expedite low dollar purchases of goods and services. As of June 30, 2010, there were 612 active purchasing cards and purchasing card charges totaled \$3,666,981 during the 2009-10 fiscal year. The District appointed a card administrator and developed a purchasing card manual (revised November 2009) that addressed management controls over purchasing cards, including monthly reconciliations of card statements to supporting invoices and other correspondence. We reviewed 45 monthly reconciliations for 38 cardholders, with purchases totaling \$136,775, to determine whether purchasing card usage was consistent with the District’s purchasing card manual and good business practices. Our review disclosed the following:

- Purchasing card transaction limits were temporarily increased by the card administrator without approval from the cardholder’s immediate supervisor who approved the cardholder agreement specifying single and monthly transaction limits. The purchasing card manual provides for the card administrator to temporarily increase a cardholder’s single purchase limit when needed for making purchases in excess of the general \$750 single purchase limit or \$5,000 monthly limit; however, the limits were increased to \$45,000 upon the request of the cardholder without specific authorization from the cardholder’s immediate supervisor. Requiring authorization from the cardholder’s immediate supervisor before temporarily increasing purchasing card limits may help in monitoring department budgets and ensure that each employee’s purchasing ability is consistent with the cardholder’s immediate supervisor’s intention.
- The purchasing card manual requires that cardholders review their monthly statements for accuracy within seven days of receipt, ensure merchant documentation is complete and available for every transaction, sign the monthly statement, and forward to the approving administrator for review. The purchasing card manual

also provides that, if the monthly reconciliation is not timely submitted, the cardholder may be required to receive additional training, and that chronic abuse may result in the purchasing card being canceled. Accounts Payable Department personnel periodically provided listings of cardholders who had not timely submitted the monthly reconciliations to the card administrator for purchasing card privileges to be temporarily suspended (credit limits reduced to \$1) until documentation was provided. The most recent listing available, dated April 29, 2010, for monthly reconciliations not submitted through January 2010, identified 20 cardholders with transactions totaling \$17,716 that were three to eight months late. Additionally, 7 of the 20 individuals on the listing had not timely submitted monthly reconciliations for three or more billing cycles in the 2008-09 and 2009-10 fiscal years. However, none of the cardholders have been required to obtain additional training or had their card canceled. The agreement with the financial institution processing purchasing card transactions limits the District’s time for disputing charges to 60 days after the statement date in which the transaction occurred.

- The District’s Internal Auditor performed a review of purchasing card cancellations and noted that 3 of 22 cards canceled were not canceled timely for terminated employees. The District’s Human Resources Department initiates termination notifications when an employee terminates, including a notification to the purchasing card administrator; however, for the 3 terminated employees, notifications were not sent. District personnel subsequently detected these oversights and canceled the cards 85 days after the termination date (all 3 employees terminated the same day). Additionally, it was determined that termination notifications were not sent for 2 of the former employees because the termination code used for the former employees was not recognized by the District’s enterprise resource system. District personnel could not explain why a notification was not sent for the other employee. When notifications of termination are not timely sent and purchasing card accounts of former employees are not timely canceled, there is an increased risk that unauthorized purchases may be made.

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**Recommendation:** The District should enhance procedures to ensure that purchasing card credit limits are consistent with the approving administrator’s intentions, additional training is required for repeated violations of purchasing card procedures, and terminated employees’ purchasing cards are timely canceled.

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<b>Contract Monitoring</b>
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**Finding No. 8: Schultz Center**

Section 1012.985, Florida Statutes, provides that regional professional development academies, such as the Schultz Center for Teaching and Leadership (Center), operate in partnership with area business partners to develop and deliver high-quality training programs for the District. This section also requires that an academy operate under contract with its public partners, and provides that the academy retain proper documentation evidencing that District funds provided to the academy are expended for authorized purposes as prescribed in the contract and that services to the District are commensurate with the funds paid to the academy for those services. Additionally, this section provides that an academy shall provide professional development services for the participating school districts as specified in the contract and may provide professional development services to other school districts, private schools, and individuals on a fee-for-service basis.

For the 2009-10 fiscal year, the District’s contract with the Center required, in part, that the District provide sufficient in-kind personnel to facilitate delivery of the agreed upon services, and that the Center provide to the District an invoice and a detailed accounting each month documenting that expenditures were for authorized purposes. The contract further provided the District would reimburse the Center for the cost of professional development and personnel provided to the District, and the Center would quarterly remit facility-use fees collected from organizations that used the District-owned facility leased to the Center. In addition, the contract provided for a maximum

reimbursement to the Center of \$2,870,297 based on the estimated costs of 23 program delivery areas, and reimbursements were funded equally from District operating funds and the Federal Improving Teacher Quality State Grants program. Our review disclosed that the District needed to enhance its procedures for monitoring the Center's compliance with the contract provisions, as discussed below:

- Although the Center provided a monthly invoice to the District showing the total expenses charged to each of the 23 program delivery areas and the amount expended by categories, such as salaries, benefits, professional fees, and supplies, District records did not initially evidence that District funds provided to the Center to cover these costs were expended for authorized purposes, contrary to the contract provisions. Upon request, we were provided the June 2010 profit and loss detail maintained by the Center identifying each expense; however, the report had not been requested by or provided to the District.
- The Center charged the District the full cost of its administrative personnel salaries and benefits and other administrative costs such as office supplies, new equipment, data communications, software licenses and support contracts, and printing charges. The District allocated these costs equally among the 23 professional development program delivery areas specified in the program budget, totaling \$1,072,063.52 for the 2009-10 fiscal year. However, by allocating these costs equally to all 23 program areas, it was not evident that the services provided to the District in each program area were commensurate with the funds paid for those services.
- The District paid \$80,109.22 to the Center for a 3 percent management fee that was in addition to the full costs of its administrative personnel, although the contract provisions did not address the fee and the Board did not otherwise approve the fee. District personnel indicated that this fee was intended to be compensation to the Center for managing the contract and such compensation was to be in addition to reimbursements for indirect costs; however, since the fee was not specifically authorized, the \$80,109.22 represents questioned costs.
- The District reimbursed the Center for certain expenses that did not appear to be necessary and reasonable, or directly related to professional development activities. For example, our review of the June 2010 profit and loss detail disclosed expenses totaling \$34,296.15 that included descriptions such as gifts, gift cards, end-of-year parties, catered meals, other meals, and snacks. Because District records did not evidence the basis upon which such expenses were allowable training program activities, these expenses totaling \$34,296.15 represent questioned costs.
- The District did not require the Center to timely remit facility-use fees collected from external organizations. Subsequent to our inquiries, District personnel provided documentation indicating that the Center collected facility-use fees totaling \$2,789.60 during the 2009-10 fiscal year, and remitted these fees to the District in October 2010.

Absent sufficient and appropriate monitoring procedures, the District has limited assurance that payments to the Center, made from public and Federal funds, represented authorized and necessary expenditures, and that the District received all facility-use fees to which it was entitled.

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**Recommendation:** The District should enhance its monitoring procedures to ensure that District payments to the Center are for authorized purposes prescribed in the contract, and the Center timely remits facility-use fee collections to the District.

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**Finding No. 9: Charter School Insurance**

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During the 2009-10 fiscal year, the District sponsored eight charter schools. The charter school agreements required, in part, that the schools provide evidence of:

- Insurance coverage effective July 1 through June 30 for general liability of \$1 million per occurrence and \$2 million annual aggregate; automobile liability of \$500,000 for bodily injury and \$250,000 for property damage per occurrence; workers’ compensation of \$500,000 per occurrence; professional liability of \$1 million per occurrence; property and contents of \$100,000 per occurrence; and fidelity bond of \$100,000 per person.
- Renewal or replacement of insurance coverage no less than 30 days before the expiration or termination of the required insurance for which evidence was provided.
- The District, board members, employees, and agents of the Board named as additional insureds for the coverage noted.
- Subcontractor’s evidence of insurance coverage when providing any of the charter school’s services with similar limits and additional insured requirements that apply to the school.
- A 60-day cancellation notice provision.

The District’s School Choice Office is responsible for monitoring the charter schools’ compliance with the insurance requirements. As similarly noted in our report No. 2008-084, our review disclosed that the District’s monitoring procedures for the eight charter schools could be enhanced, as discussed below:

- District records did not evidence that six charter schools maintained one or more required coverages. Contrary to the charter school agreements, four had no record of workers’ compensation coverage, including two that used subcontracted payroll services as discussed below; two lacked evidence of automobile liability coverage; two lacked evidence of professional liability coverage; one lacked evidence of property and contents coverage; and three lacked evidence of fidelity bond coverage.
- District records indicated a lapse in coverage from the expiration of one policy period (December 4, 2009) to the effective date of the next (March 10, 2010). Upon inquiry, District personnel indicated that the lapse occurred because the position responsible for monitoring insurance was vacant during that period.
- District records indicated that four charter schools excluded the District, Board members, employees, and agents of the Board as additional insureds for one or more required types of insurance. For example, three excluded the additional insureds for general and automobile liability insurance; two excluded the additional insureds for property and contents insurance; and one excluded the additional insureds for fidelity bond insurance.
- Two charter schools used a subcontractor for payroll processing services; however, District records did not evidence workers’ compensation insurance coverage from the subcontractor.
- Seven charter schools had cancellation notice provisions of less than the required 60 days, ranging from 10 to 45 days.

District personnel indicated that these instances resulted mainly from oversights caused by personnel turnover in the position responsible for monitoring insurance coverage. Without adequate procedures to monitor charter school insurance there is an increased risk that such insurance may not be adequate, subjecting the District to potential losses.

**Recommendation:** The District should enhance procedures to ensure that District charter schools maintain insurance required by the charter school agreements.

**Facility Safety**

**Finding No. 10: Relocatable Facility Inspections**

The District’s annual relocatable inspection report summaries indicated that a substantial percentage of the District’s relocatable classrooms did not meet the standards to be rated satisfactory. Section 5(14), *State Requirements for*

*Educational Facilities - 2007*, requires that all District relocatable buildings be inspected for compliance with the standards for satisfactory buildings. Annual inspection reports for all relocatables designed as classrooms or spaces intended for student occupancy must be filed with the Board, correction plans must be adopted by the Board, and the inspection report for each relocatable must be posted therein. Relocatables that fail to meet the standards must not be reported as satisfactory in the Florida Inventory of School Houses (FISH). The FISH is an electronic database created and supported by the Florida Department of Education’s Office of Educational Facilities to provide record keeping capabilities for all districts’ facilities and is used to allocate maintenance funds to school districts. The school districts are responsible for data entry, accuracy, and maintenance.

The District’s Code Enforcement Department is responsible for performing the required inspections for relocatable buildings. Upon completion, the inspection reports are provided to the Facilities Planning Department for review and follow-up. The District’s relocatable inspection report summaries for the last two fiscal years disclosed the following:

Relocatable Inspection Report Summary			
Fiscal Year	Number of Relocatables	Unsatisfactory Relocatables	Percent Unsatisfactory
2008-09	612	534	87%
2009-10	596	544	91%

The 2009-10 fiscal year inspection report summary projected a cost of \$38.4 million to correct all the deficiencies, including \$36.8 million to provide for 491 relocatables cited for lack of covered walkways, which equates to approximately \$75,000 per relocatable. Further, for 188 unsatisfactory relocatables cited during the 2009-10 fiscal year, the lack of covered walkways was the only deficiency noted. The District reported all of its relocatables, including those listed as unsatisfactory in its annual inspections, as satisfactory student stations in its FISH and in its annual Educational Facilities Plan required by Section 1013.35(2), Florida Statutes, and the Educational Facilities Plan for the 2009-10 fiscal year provided \$100,000 to address relocatable maintenance needs. A similar finding was noted in previous audit reports, most recently in our report No. 2008-084.

Upon inquiry, District personnel indicated that the estimated cost of providing covered walkways should have been reported as \$17.2 million, or \$35,000 per relocatable, and that certain actions have been taken to reduce the number of unsatisfactory relocatables, including allocating \$100,000 annually in the Educational Facilities Plan to address maintenance needs other than covered walkways, removing 33 of the 45 wood-constructed relocatables from inventory, and beginning construction of permanent classroom additions at five schools to replace 47 existing relocatables.

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**Recommendation:** The District should continue its efforts to bring relocatables used as classrooms into compliance with State standards and ensure that only relocatables that meet standards are reported as satisfactory in the FISH.

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<b>Information Technology</b>
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**Finding No. 11: Management of Access Privileges**

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Access controls are intended to protect information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide personnel access to IT resources based on a

demonstrated need to view, change, or delete data and restrict personnel from performing incompatible functions or functions outside their areas of responsibility. Clear division of roles and responsibilities between IT development personnel and functional end users and within the established overall IT function helps preclude the possibility of a single individual subverting a critical process.

As similarly noted in our report No. 2008-084, the existence of inappropriate or unnecessary access privileges indicated a need for improved District review of access privileges. Specifically:

- Twenty-two user identification codes (user IDs) assigned to end-user personnel allowed create and change access to combinations of certain finance-related accounting functions, which, when available together, permitted incompatible duties to be performed by the same individual. For example, the combination of functions provided some personnel the capability to change check information or reprint a check, input cash transactions relating to bank account reconciliations, and input payment transactions and provided others the capability to create an invoice or create or change a purchase order and create or change a vendor and clear a vendor account.
- An individual within the Technology Division was assigned create and change access to finance-related accounting functions, contrary to an appropriate separation of IT and end-user duties. In response to our inquiry, District management indicated that, as of September 17, 2010, the access was removed.
- Two user IDs assigned to end-user personnel allowed the ability to create and change positions within the District's organization structure potentially affecting the assignment of user security profiles, which exceeded what was necessary for their assigned responsibilities.
- Three user IDs assigned to Technology Division and end-user personnel allowed financial application table and data dictionary maintenance that included the ability to update tables and data elements that control the functioning of application programs. Such access was unnecessary for the users' assigned responsibilities and increased the risk of compromise to the integrity of application programs and data. In response to our inquiry, District management indicated that, as of September 20, 2010, the access was removed where appropriate.
- Four Technology Division personnel who had responsibilities related to development had the authority to move changes into production, contrary to an appropriate separation of duties.
- In excess of 200 user and service accounts had been granted elevated administrative authority within the domain supporting user network authentication. This authority allowed for full control of the domain, including the ability to administer system accounts and processes. The excessive number of accounts lessened the District's ability to restrict and manage the use of administrative privileges.
- In excess of 50 user and service accounts had been granted elevated administrative authority within the domain supporting the financial application environment. This authority allowed for full control of the domain supporting the application environment, including the ability to administer system accounts and processes. The excessive number of accounts lessened the District's ability to restrict and manage the use of administrative privileges.
- Thirty-five user and service accounts had been granted system administrator privileges to the production database. System administrator privileges allow the performance of all activities in the database. Granting full database access privileges increases the risk that unauthorized changes will occur and not be timely detected.

Although the access granted was the result of established business processes and the District had controls in place (e.g., review of supporting documentation, exception reports, and supervisory approvals) to mitigate some of the risks of the control deficiencies noted above, under these conditions, the risk was increased that unauthorized disclosure, modification, or destruction of data and IT resources may occur without timely detection.

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**Recommendation:** The District should be more restrictive in the granting of access privileges to ensure that access privileges are compatible with assigned job responsibilities and promote appropriate separation of duties. Additionally, the District should improve its review of the appropriateness of access privileges and timely remove or adjust any inappropriate access detected.

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**Finding No. 12: Security Controls**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication and logging of security activity that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Similar issues regarding user authentication were noted in connection with our report No. 2008-084.

Without adequate security controls related to user authentication and logging of security activity, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

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**Finding No. 13: District Security Program**

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An entitywide program for security planning and management is the foundation of an entity's security control structure and a reflection of senior management's commitment to addressing security risks. The program establishes a framework and continuing cycle for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of procedures. Practices that help ensure that information security policies address current risks include promoting security awareness and monitoring the effectiveness of the policies and controls.

As similarly noted in our report No. 2008-084, the District had not finalized a security program, including a risk management framework to ensure the continued identification and documentation of its vulnerability assessment and management of identified risks through defined policies and procedures. As of September 3, 2010, the District's Information Systems Security Program (ISSP), including responsibilities, policies, procedures, and protocols supporting the program remained in draft form. In addition, the District did not have a security awareness training program in place to facilitate employees' on-going awareness education and training on security responsibilities, including data classification and acceptable or prohibited methods for storage and transmission, password protection and workstation controls, and security incident response and reporting.

A formal security program, including a documented risk framework, is necessary to evidence the District's exercise of due diligence with regard to appropriate security practices in the management, use, planning, development, maintenance, and operation of information systems. Additionally, the establishment of associated policies and procedures and security awareness training reduces the risks for inadequate or inconsistently applied controls and unclear, misunderstood, and improperly implemented responsibilities that could result in insufficient protection of sensitive or critical resources.

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**Recommendation:** The District’s ISSP should be completed and implemented along with supporting policy, protocols, and compliance measures to mitigate the identified risks and maintain the confidentiality, integrity, and availability of information resources. Management should also promote security awareness through on-going training programs.

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**Finding No. 14: Disaster Recovery Plan**

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Disaster recovery planning is an element of IT controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations. The success and effectiveness of a disaster recovery plan requires elements such as alternate site processing arrangements and testing.

The District’s Business Resumption Plan provided for using another facility within the District as an alternate processing site and was designed upon the methodology of assessing needs and creating an incident recovery plan and schedule at the time of an event. As similarly noted in our report No. 2008-084, the Plan had not been tested in accordance with scenarios defined in the Plan and did not identify an alternate processing site outside of the District’s proximity. Testing the provisions of a disaster recovery plan is necessary for the District to efficiently and effectively continue operations with minimal loss in the event of a processing disruption.

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**Recommendation:** The District should conduct periodic testing of Plan elements to promote readiness, prove feasibility, and prevent omission of key procedures or decision points. Additionally, the District should identify an alternate processing site outside of the District’s proximity in the event of a disaster affecting the entire local area.

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in previous audit reports.

**OBJECTIVES, SCOPE, AND METHODOLOGY**

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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 2010 to September 2010 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: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in previous audit reports. Also, pursuant to

Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2009-10 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing District personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the District's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**AUTHORITY**

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



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

Management's response is included as Exhibit B.

**EXHIBIT A  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Assignment of access to information technology (IT) resources.	Reviewed personnel access to selected transactions and privileges within the financial application and the supporting environment to determine if an appropriate separation of duties existed in relation to assigned job functions.
Former employees' access to electronic data and IT resources.	Tested employees who terminated employment during the audit period and verified that the District had timely terminated access privileges.
Security planning and management.	Determined whether the District had finalized a security program, including establishing a risk management framework, related policies and procedures, and a security awareness program.
IT user authentication controls.	Examined supporting documentation to determine whether certain authentication controls were configured and enforced in accordance with IT best practices.
Procedures for logging.	Reviewed supporting documentation to determine the adequacy and appropriateness of the District's implemented logging policies for the financial application and its supporting environment.
Disaster recovery planning.	Reviewed selected elements of the District's Business Resumption Plan to determine the status of the plan's provisions.
John M. McKay Scholarships for Students with Disabilities Program.	Examined records to determine whether parents and guardians were notified annually of the John M. McKay Scholarships for Students with Disabilities Program pursuant to Section 1002.39(5)(a), Florida Statutes.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the District's fraud policy and related procedures.
Social security numbers.	Examined records to determine whether the District had provided individuals with a written statement as to the purpose of collecting social security numbers pursuant to Section 119.071(5)(a), Florida Statutes.
Regional Professional Development Academy.	Reviewed procedures for monitoring the contract with the Regional Professional Development Academy and its use of funds provided by the District.
Financial condition.	Applied analytical procedures to determine whether the General Fund unreserved fund balance at June 30, 2010, was less than the percents of the Fund's revenues specified in Section 1011.051, Florida Statutes.
Internal audit function.	Reviewed the District's internal audit activities to determine whether the audit committee was functioning in accordance with Board policy.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.

**EXHIBIT A (Continued)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Allocation of investment interest earnings.	Applied analytical procedures to determine whether interest earnings were properly allocated to the respective fund that reported the investments.
Procedures for decentralized collections.	Reviewed procedures for cash collections at decentralized locations to ensure they were deposited timely and intact.
Payroll time and attendance records.	Tested employee time and attendance records to determine whether the hours worked, as noted on the records, supported the salary and benefit cost payments and absences were supported by leave forms.
Terminal pay.	Reviewed the District's rules and procedures for terminal pay to ensure consistency with Florida law. Tested former employees and determined whether the District properly calculated terminal pay.
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board, for instructional personnel, based a portion of each employee's compensation on performance, and adopted a salary schedule with differentiated pay for instructional personnel and school-based administrators based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Performance assessments.	Examined supporting documentation to determine whether the District had established adequate performance assessment procedures for instructional personnel and school administrators primarily based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes.
Superintendent and school board member compensation requirements of Chapter 2009-59, Laws of Florida.	Determined whether the Superintendent was properly paid pursuant to employment agreements and received no more than \$225,000 in remuneration from State funds. Also, determined whether the salary of school board members was calculated according to statutory guidance.
Purchasing card transactions.	Tested purchasing card transactions for propriety and compliance with related laws, rules, and District procedures.
Cellular telephone billings.	Determined whether cellular telephone billings properly excluded taxes the District is exempt from paying.
Direct negotiation procedures.	Reviewed procedures for purchases using direct negotiations to evaluate whether the negotiation process was documented and the negotiated costs were reasonable.
Related party transactions.	Tested expenditure transactions to determine whether purchases were made from related parties.
Procedures for contractual agreements.	Tested significant contractual agreements and reviewed to determine compliance with applicable laws, rules, and contractual requirements.

**EXHIBIT A (Continued)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Employee group health self-insurance.	Reviewed documentation related to employee group health self-insurance program supporting the selection of the third-party administrator and procedures for verifying that claims and other expenses paid were appropriate charges to the program.
Restrictions on use of nonvoted capital outlay tax levy proceeds and Public Education Capital Outlay (PECO) funds.	Applied analytical procedures, tested payments made from nonvoted capital outlay tax levy proceeds and PECO funds, and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay tax levy proceeds and PECO funds.
Procedures for administering construction projects.	Tested major construction projects in progress during the audit period to determine whether the District was adequately monitoring design-build and construction management entities, contract terms and conditions, and periodic construction payment requests.
Relocatable facility inspections.	Reviewed inspection reports to determine whether relocatable classroom facility deficiencies were timely corrected.
Competitive selection procedures.	Tested construction projects and evaluated the propriety of the selection process used for obtaining architectural and construction management services.
Construction project change orders and prequalification of construction contractors.	Determined whether Board policies were adopted for construction project change orders and prequalification of construction contractors and evaluated compliance with required provisions.
Appraisal procedures for land acquisition.	Determined whether appraisals were properly obtained pursuant to Section 1013.14, Florida Statutes, for land purchases.

**EXHIBIT B  
MANAGEMENT'S RESPONSE**



**Ed Pratt-Dannals  
Superintendent of Schools**

1701 Prudential Drive  
Jacksonville, FL 32207-8182  
904.390.2115  
www.duvalschools.org

November 23, 2010

David W. Martin, CPA  
Auditor General  
3974 Woodcock Drive, Suite 101A  
Jacksonville, FL 32207

Dear Mr. Martin:

Attached is Duval County Public Schools' response to the preliminary and tentative operational audit findings for the fiscal year ended June 30, 2010.

Please note that corrective measures have been taken to incorporate processes that will prevent a repeat of these audit findings. I would like to express our appreciation for the manner in which the audit was conducted. Your staff conducted themselves in a professional manner throughout the audit and has been helpful in identifying and discussing the areas addressed in the audit.

Very truly yours,

A handwritten signature in black ink that reads "Ed Pratt-Dannals".

Ed Pratt Dannals  
Superintendent of Schools

WEP/kp

CC: John P. Duffy  
Mike Perrone  
Stephen Bright

**EXHIBIT B (Continued)**  
**MANAGEMENT'S RESPONSE**

***PERSONNEL AND PAYROLL***

**Finding No. 1:** District records did not evidence that performance assessment procedures for instructional personnel included consideration of student performance, contrary to Section 1012.34(3), Florida Statutes.

**District Response:** The District concurs with the overall recommendation. This finding states that instructional personnel in the District were not evaluated primarily based on student performance using data such as Florida Comprehensive Assessment Test (FCAT) scores as required by Section 1012.34(3). The current assessment for instructional personnel contains nine competencies. Three of the nine components used in the assessment process encompass behaviors that are significantly based on student performance. Principals use their knowledge about how a teacher's students perform on FCAT and other state and district assessments and take this knowledge into account when assessing teachers on Competencies A, B, and C. These three competencies comprise 47% of the total points for all competencies in the assessment.

If the statute is being interpreted to mean that these competency measures are too subjective and that the sole way to comply with the Statute is an objective metric based on FCAT, then there were timing issues with the delivery of the FCAT scores to the District as noted in the finding. Individual FCAT scores were not available to the District until early July, 2010. This finding states that evaluations could have been held until after these scores arrived so that the assessments would be more complete and would effectively communicate the teacher's accomplishments or shortcomings. Completing teacher evaluations after school is out is not workable since teachers are often not even in the district during the summer. Also, delaying employment decisions about whether or not teachers are renewed until July makes it very difficult for principals to plan for the upcoming year since the make-up of their staffs would not be known until the middle of the summer. Finally, professional development would have to be held until after the scores are sent and evaluations completed, causing a loss of valuable summer instructional time for the teachers.

The District is currently in the process of working with the teachers' union to develop a new assessment instrument that will meet the requirements of Race to the Top and the Teacher Incentive Fund Grant. The assessment required by these programs must utilize the state-adopted teacher-level student growth measure as the primary factor of the teacher evaluation system in the future. In conference calls with the Department of Education regarding Race to the Top, several districts have communicated the need to modify statutes and timelines in order to make this provision work. Duval will continue to work to ensure compliance with statutes regarding assessment.

**Finding No. 2:** Leave forms were not always prepared and maintained to document employee absences.

**District Response:** The District concurs with the overall recommendation. The District will continue to standardize the SMART (System Management for Attendance in Real Time) review process and expand monitoring of schools to help ensure compliance.

***CONFIDENTIAL INFORMATION***

**Finding No. 3:** Controls could be enhanced to ensure compliance with Section 119.071(5) (a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

**District Response:** The District concurs with the overall recommendation. The District will review and enhance controls to help ensure compliance with social security number requirements.

**EXHIBIT B (Continued)**  
**MANAGEMENT'S RESPONSE**

**CONSTRUCTION ADMINISTRATION**

**Finding No. 4:** The District did not use a competitive selection process to obtain architectural services for classroom addition projects at five schools, contrary to applicable laws and rules.

**Auditor Recommendation:** The District should revise its procedures to ensure that existing construction documents or design criteria packages are reused if such reuse is feasible and practical. When such reuse is not feasible and practical, the District should utilize the public announcement and a formal competitive selection and negotiation process for architectural services specified in Section 287.055, Florida Statutes.

**District Response:** The District concurs with the overall recommendation. The District believes there are inconsistencies between Florida Statutes (FS) and State Requirements for Educational Facilities (SREF) in the interpretations of reuse of existing design documents. The District notes that collectively, the intent of both the FS and SREF is to encourage reuse of the best designs and reduce design costs by reusing existing documents; however, both FS and SREF are not clear as to what extent modifying existing design documents is an appropriate and authorized reuse. In the projects reviewed, the District modified previous design documents to meet new specific District project requirements and in so doing, paid reduced fees. The District will continue to review and improve procedures for reuse of existing construction documents; however, without a clear definition of reuse of existing documents, the potential exists for misinterpreting applicable guidance.

**Finding No. 5:** Procedural improvements were needed in controls over design-build and construction management projects.

**District Response:** The District concurs with the overall recommendation. The District will review and enhance procedures for oversight of construction management (CM) and design-build (DB) contracts.

**CASH COLLECTIONS**

**Finding No. 6:** The District did not always timely deposit its food service cash collections or follow-up on discrepancies noted between reconciliations of reported cash collections and bank deposits.

**District Response:** The District concurs with the overall recommendation. The District has implemented an additional internal control measure to include a comparison with the third party cash pick-up service reports to help discover discrepancies between the reported cash and bank deposits. The District will perform additional school Food Services cash audits as necessary.

**EXPENDITURES**

**Finding No. 7:** The District needed to enhance controls over its purchasing card program.

**District Response:**

The District concurs with the overall recommendation. Some controls/processes could be enhanced over our purchasing card program. The District needs to clarify when additional training for non-compliance is truly required, what will comprise that additional training, and when card limits will be reduced versus canceled. For 2 of the 3 terminated employees, the termination code was not recognized by the District's enterprise resource system. This situation has been corrected. For the one terminated employee where a notification was not sent, District staff will determine the cause and will enhance procedures as needed. The current reports available also cannot retroactively show that a card was closed due to non-compliance by the cardholder. The district will start printing information upon closing a card to comply with this point in the future.

**EXHIBIT B (Continued)**  
**MANAGEMENT'S RESPONSE**

***CONTRACT MONITORING***

**Finding No. 8:** The District needed to enhance its procedures for monitoring reimbursements to, and facility-use fees due from, the Schultz Center for Teaching and Leadership.

**District Response:** The district concurs with the overall recommendation. The District has enhanced its procedures for monitoring reimbursements to and facility-use fees due from the Schultz Center for Teaching and Leadership. A procedure includes an increase monitoring of individual expenditures to ensure expenditures were authorized, necessary and reasonable program cost.

**Finding No. 9:** Enhancements were needed in monitoring of insurance for District charter schools.

**District Response:** The District concurs with the overall recommendation. The District will strengthen its monitoring procedures of Charter School insurance coverage for compliance.

***FACILITY SAFETY***

**Finding No. 10:** The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory.

**District Response:** The District concurs with the overall recommendation. The District will continue efforts to bring relocatables into compliance with State standards.

***INFORMATION TECHNOLOGY***

**Finding No. 11:** The District's management of information technology (IT) access privileges needed improvement.

**District Response:** The District concurs with the overall recommendation. The District has recently upgraded the Active Directory and will be researching delegation models to address the issue of elevated privileges across the enterprise. Current practice required distributed elevated privileges to accomplish assigned responsibilities. These privileges will be limited wherever possible to the minimum necessary level to accomplish the assigned responsibilities.

**Finding No. 12:** The District's IT security controls related to user authentication and logging of security activity needed improvement.

**District Response:** The District concurs with the overall recommendation. IT staff will research and propose user authentication logging systems to district leadership for funding and staffing to accomplish the suggested security capabilities.

**Finding No. 13:** The District's IT security program had not been finalized and the District lacked a security awareness training program to facilitate employee on-going awareness of security responsibilities.

**District Response:** The District concurs with the overall recommendation. A District Information Systems Security Plan (ISSP) is in draft and is scheduled for completion at the end of December 2010. A formal Security Awareness plan will be part of the ISSP.

**Finding No. 14:** The District's IT disaster recovery planning procedures needed improvement.

**District Response:** The District concurs with the overall recommendation. Previously planned exercise was postponed due to reduced staffing levels and workload. Next exercise is scheduled for March 18, 2011.

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