

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-183
March 2018

**MONROE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Mark T. Porter served as Superintendent of the Monroe County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Bobby Highsmith, Vice Chair from 11-22-16	1
Andy Griffiths, Chair through 11-21-16	2
Mindy Conn from 11-22-16	3
Ed Davidson through 11-21-16	3
John R. Dick, Vice Chair through 11-21-16, Chair from 11-22-16	4
Ronald A. Martin	5

The team leader was Barbara S. Coleman, CPA, and the audit was supervised by Hector J. Quevedo, CPA.

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MONROE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Monroe County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-092. Our operational audit disclosed the following:

Finding 1: State law requires reasonable notice of public meetings and minutes of public meetings be promptly recorded and open for public inspection; however, the District did not always provide public notice for school advisory council meetings or record the minutes of those meetings.

Finding 2: The Board awarded two construction contracts totaling \$132,580 based, according to District personnel, on other governmental entities' competitive negotiations and contracts. However, the District did not obtain documentation to evaluate the reliability of the other entities' negotiations and to confirm that the District's contracts were based on similar or better conditions and terms than included in the other entities' contracts. A similar finding was noted in our report No. 2016-092.

Finding 3: District construction contracts did not always contain penalties to be paid by contractors for failure to comply with contract terms.

Finding 4: The District did not always base teacher eligibility for Florida Best and Brightest Teacher Scholarship awards on reliable and authentic records of college entrance examination scores.

Finding 5: Required background screenings were not always performed for applicable instructional and noninstructional employees.

Finding 6: District controls could be strengthened to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Finding 7: The District needs to continue efforts to ensure that only those employees who have a demonstrated need to access student social security numbers have such access.

Finding 8: Some inappropriate or unnecessary information technology (IT) access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

Finding 9: The District's IT disaster recovery plan was not comprehensive as it lacked sufficient detail to affect the recovery and restoration of critical District records and applications.

Finding 10: To provide a documented basis for managing IT-related risks, the District needs to develop a comprehensive, written IT risk assessment.

Finding 11: IT security controls related to user authentication need improvement.

BACKGROUND

The Monroe 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 Monroe County. The governing body of the District is the Monroe County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2016-17 fiscal year, the District operated 10 elementary, K-8, middle-high combination, and high schools; sponsored 6 charter schools; and reported 8,217 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2016-092. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2017, were presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Sunshine Law - School Advisory Councils

State law¹ requires that reasonable notice of public meetings be given and minutes of public meetings be promptly recorded and open for public inspection. Pursuant to State law,² the Board established school advisory councils (SACs) for each of the 10 schools. SACs are required to schedule meetings when parents, students, and other members of the community can attend and to record minutes of the meetings. According to District personnel, SACs notify the public of their meetings through District internal applications, parent newsletters, school Web sites, and school calendars, and District procedures require each SAC to have at least 10 meetings per year.

We requested for examination evidence of the public notices for and recorded minutes of the 100 SAC meetings required during the 2016-17 fiscal year. Our examination and discussions with District personnel disclosed that public notice for school advisory council meetings was not always provided nor were the minutes of those meetings always recorded. Specifically:

- For 4 schools, District records did not evidence any public notices for the 40 required SAC meetings and, for 3 other schools, public notices were not provided for 3 to 6 of the SAC meetings.
- For 5 schools, District records did not evidence any minutes of the 50 SAC meetings and, for 5 other schools, minutes were not prepared for 6 to 9 of the SAC meetings.

In response to our inquiry, District personnel indicated that District procedures had not been established to require public notice of SAC meetings or the timely recording of the SAC meeting minutes. According to District personnel, subsequent to our inquiry in August 2017, SAC procedures were updated to require each SAC to post its meeting schedule for the year on the SAC Web site and the school calendar. The updated procedures also require that meeting agendas and approved minutes of the meetings be posted on the SAC Web sites.

Absent effective controls to ensure that public notice of SAC meetings is provided there is an increased risk that the public may not be duly notified of upcoming SAC meetings, reducing public attendance at such meetings. Absent effective controls to ensure that minutes of SAC meetings are recorded and open

¹ Section 286.011(1) and (2), Florida Statutes.

² Section 1001.452, Florida Statutes.

for public inspection, the public may not be informed of the issues discussed and actions taken at SAC meetings. Without evidence of such notices and meeting minutes, the District cannot demonstrate compliance with State law.

Recommendation: The District should continue to require that public notice be provided for school advisory council meetings and that minutes of those meetings be promptly recorded and open for public inspection.

Finding 2: Construction Administration – Contractor Selection

State Board of Education (SBE) rules³ provide that the District may make purchases through the competitive solicitation process or by direct negotiation and contract with a provider as best fits the District's needs as determined by the Board. For purchases exceeding \$50,000, SBE rules⁴ also provide that, in lieu of requesting competitive solicitations from three or more sources, the District may make purchases at or below the specified prices from contracts awarded by another governmental entity when the proposer awarded the contract by the other governmental entity permits District purchases at the same terms, conditions, and prices (or below such prices) awarded in the contract, and the purchases are to the District's economic advantage.

As part of our audit, we examined the 12 construction contracts totaling \$36.6 million and other records supporting the District's significant construction projects during the 2016-17 fiscal year to determine whether contractors were properly selected. We noted that the Board awarded a \$77,728 contract for resurfacing a school playground area and a \$54,852 contract for playground equipment that, according to District personnel, were based on the competitive negotiations and contracts awarded by two other governmental entities⁵ to the same company. However, although we requested, District records were not provided to evidence that the District obtained and reviewed the other governmental entities' competitive selection documents that identified the companies who responded to the requests for proposals, demonstrated the entities' competitive negotiation processes, or evidenced District consideration of the terms and conditions of the other entities' contracts. In addition, although we requested that the District obtain evidence from the other governmental entities to evidence their competitive negotiation and contract award with the companies, the information was not obtained or provided.

It is important when relying on another governmental entity's competitive negotiation and contract awarding process to, prior to awarding a contract, obtain and review the necessary documentation to evaluate the reliability of the other entity's process and to confirm that the District's contract will be based on similar or better conditions and terms than included in the other entity's contract. Without such, the District cannot demonstrate that using other governmental entity's contracts were to the economic advantage of the District. A similar finding was noted in our report No. 2016-092.

Recommendation: The District should ensure that District records evidence that applicable contracts are awarded based on competitive solicitation processes. Such evidence should include, when Board contracts are based on the competitive negotiations and contracts of other

³ SBE Rule 6A-1.012(14), Florida Administrative Code (FAC).

⁴ SBE Rule 6A-1.012(6), FAC.

⁵ A board of county commissioners in another Florida county and a governmental entity in another state.

governmental entities, necessary documentation to evaluate the reliability of the other entity's process and to confirm that the District's contract will be based on similar or better conditions and terms than included in the other entity's contract.

Finding 3: Construction Administration – Contract Penalty Clause

State law⁶ requires that construction contracts contain the penalty to be paid by the contractor for a failure to comply with the contract terms. As part of our audit, we examined the 12 contracts totaling \$36.6 million supporting the District's significant construction projects during the 2016-17 fiscal year and noted that each contract contained a termination clause for breach of contract. However, we also noted that 9 of the construction contracts totaling \$5.9 million and ranging from \$29,193 to \$4.2 million did not include any penalties to be paid by the contractor for failure to comply with the contract terms.

In response to our inquiry, District personnel indicated that the District's standard contract for goods and services did not generally include a penalty clause and, as a result, a penalty clause was excluded from the 9 construction contracts. According to District records and discussions with District personnel, the projects associated with the 9 construction contracts had been completed by December 2017 and, therefore, the contracts could not be amended to include a penalty clause.

Absent the inclusion of a penalty clause in District construction contracts, the Board has limited recourse in the event a contractor fails to comply with the contract terms (e.g., a contractor fails to timely complete a project) and the Board cannot demonstrate compliance with State law.

Recommendation: The Board should ensure that future construction contracts contain the penalty to be paid by contractors for a failure to comply with the contract terms.

Finding 4: Florida Best and Brightest Teacher Scholarships

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)⁷ to reward classroom teachers who achieved high academic standards during their own education. Pursuant to State law, to be eligible for a scholarship, a teacher must have scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law.⁸ If the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment.

To demonstrate eligibility for a scholarship award, an eligible classroom teacher in a District school must submit to the District an official record of his or her college entrance examination score demonstrating that the teacher scored at or above the 80th percentile based on the percentile ranks in effect when the teacher took the examination. Additionally, District procedures require teachers to complete and submit scholarship applications. On the applications, teachers must certify that they are submitting official documentation of college entrance examination scores at or above the 80th percentile. Pursuant to State

⁶ Section 1013.47, Florida Statutes.

⁷ Section 1012.731, Florida Statutes.

⁸ Section 1012.34, Florida Statutes.

law,⁹ once a classroom teacher is deemed eligible 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 based, in part, on student performance. To support the eligibility of charter school teachers, the District required charter schools to submit an official record of the teacher's college entrance examination score and evidence that applicants were active and certified classroom teachers who had been evaluated as highly effective.

District personnel are responsible for determining teacher eligibility for scholarship awards and annually submitting the number of eligible teachers to the Florida Department of Education (FDOE). The FDOE disburses scholarship funds to the District based on the information submitted.

During the 2016-17 fiscal year, the District awarded Program scholarships totaling \$354,479 to 52 teachers, including 44 recipients employed by the District and 8 recipients employed by charter schools. To determine whether the recipients met the eligibility requirements for the scholarship awards, we examined District records supporting 30 scholarships¹⁰ totaling \$204,507. We found that the District awarded four scholarships totaling \$27,268 based, in part, on temporary examination reports from the examination provider for 3 teachers and an unofficial score report from the examination provider's Web site for another teacher.

In response to our inquiry, District personnel indicated that the records used to support the scholarship awards appeared to be original and unaltered documents that could only have been received from the examination providers. However, District confirmation of college entrance examination scores based on reliable and authentic records, such as college transcripts or final examination reports, would provide better assurance that the scores are accurate and teachers are eligible for the scholarships.

Recommendation: The District should ensure that Program scholarships are awarded to eligible recipients based on college entrance examination scores reported on reliable and authentic records, such as college transcripts or final examination reports.

Finding 5: Background Screenings

State law¹¹ requires that each person hired to serve in an instructional or noninstructional capacity that requires direct contact with students undergo background screenings. In addition, State law¹² provides that instructional and noninstructional employees who are permitted access on school grounds when students are present or who have direct contact with students must undergo a level 2 background screening¹³ at least once every 5 years. To promote compliance with the statutory background screening requirements, Board policies and procedures¹⁴ require employees to undergo required background screenings at least once every 5 years.

⁹ Section 1012.731(3)(b), Florida Statutes.

¹⁰ The 30 selected scholarships were awarded to 24 District school recipients and 6 charter school recipients.

¹¹ Section 1012.32 Florida Statutes.

¹² Sections 1012.56(10), and 1012.465, Florida Statutes.

¹³ A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the FDLE and national criminal history records checks through the Federal Bureau of Investigations.

¹⁴ Board policies No. 1121.01, 3121.01, 4121.01, and Procedure No. 8475.

During the 2016-17 fiscal year, the District employed 879 instructional and 574 noninstructional personnel. To determine whether required background screenings had been timely performed for these employees, we requested for examination District records, as of June 30, 2017, for 30 selected employees. Our examination disclosed that, for 2 instructional and 3 noninstructional employees, the required background screenings had not been performed at least once in the past 5 years. As of June 30, 2017, 5 to 7 years had elapsed since the 5 employees' most recent background screenings. In addition, while examining District records, we noted another noninstructional employee who was hired in November 2016 and District records did not evidence that the employee had obtained the required background screening.

In response to our inquiries, District personnel indicated that the background screenings were not performed mainly due to staff transitions in the Human Resource Department. Subsequent to our inquiries, in August 2017 District personnel indicated that background screenings for 3 of the 6 employees, including the noninstructional employee hired in November 2016, had been completed and no unsuitable backgrounds were noted. District personnel also indicated that efforts were being made to complete the background screenings for the other 3 employees. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that individuals with unsuitable backgrounds may be allowed access to students.

Recommendation: The District should take immediate action to identify employees who have not obtained the required background screenings, ensure screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. We also recommend that, in the future, the District ensure that required background screenings are performed for instructional and noninstructional employees at least once every 5 years.

Finding 6: Adult General Education Classes

State law¹⁵ 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 Act¹⁶ proviso language requires each school district to report enrollment for adult general education programs in accordance with FDOE instructional hours reporting procedures.¹⁷

FDOE procedures state that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner. The procedures also require school districts to develop a procedure for withdrawing students for nonattendance and provide that the standard for setting the withdrawal date be six consecutive absences from a class schedule, with the withdrawal date reported as the day after the last day of attendance. There is also a minimum enrollment threshold of 12 hours of attendance for each program that must be met before a student can be counted for funding purposes.

¹⁵ Section 1004.02(3), Florida Statutes.

¹⁶ Chapter 2016-66, Laws of Florida, Specific Appropriation 122.

¹⁷ FDOE-issued Memorandum No. 06-14, dated May 15, 2006, *Reporting Procedures for Adult General Education Enrollments*.

For the 2016-17 fiscal year, the District reported 94,660 instructional contact hours for 37 adult general education classes provided to 564 students. As part of our audit, we examined District records supporting 3,974 contact hours reported for 30 selected students enrolled in 10 adult general education classes. We found that instructional contact hours were over reported a total of 669 net hours, including 717 hours (ranging from 2 to 144 hours) over reported for 17 students and 48 hours (20 and 28 hours, respectively) under reported for 2 students.

In response to our inquiries, District personnel indicated that the errors occurred because District personnel were unfamiliar with the reporting functions of the District's new enterprise resource planning (ERP) system and certain data fields in the system had not been correctly populated. As a result, the full extent of the class hours that may have been misreported for the adult general education students for the 2016-17 fiscal year was not readily available. Subsequent to our inquiries in November 2017, District personnel indicated that steps had been taken to populate all data fields and ensure contact hours are accurately reported to the FDOE.

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

Recommendation: The District should continue efforts to ensure instructional contact hours for adult general education classes are accurately reported to the FDOE. The District should also determine to what extent the adult general education hours were misreported for the 2016-17 fiscal year and contact the FDOE for proper resolution.

Finding 7: Information Technology User Access Privileges - Student Social Security Numbers

The Legislature has recognized in State law¹⁸, 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 accessing SSNs if such access is unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of information technology (IT) user access privileges to help prevent individuals from accessing SSNs without a demonstrated need for such access.

Pursuant to State law,¹⁹ the District identified each student using a Florida education identification number obtained from the FDOE. However, student SSNs were maintained within the District management information system (MIS) to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure. Student SSNs were also maintained to provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies²⁰ identify student SSNs as confidential data and provide that access to confidential data shall be limited to authorized District officials or agents with a legitimate academic or business interest. According to District personnel, the District performed reviews of IT user access privileges to monitor certain access privileges; however, these reviews did not extend to access privileges to student SSNs.

¹⁸ Section 119.071(5)(a), Florida Statutes.

¹⁹ Section 1008.386, Florida Statutes.

²⁰ Board Policy 8330, *Student Records*.

As of October 25, 2017, the District MIS contained the SSNs of 57,262 former and 8,712 current District students. Our examination of District records disclosed that a total of 114 District employees, such as school administrators, teachers, paraprofessionals, IT personnel, and other administrative and support personnel, had access to student SSNs. As part of our audit, we examined District records supporting the IT access privileges and other records supporting the employee functions for these employees and found that 52 of the 114 employees did not need access to current or former student SSNs to perform their job responsibilities. The 52 employees with the unnecessary IT user access privileges to student SSNs included 24 school guidance counselors, 9 ERP support specialists, 4 school resource officers, and 15 others.

In response to our inquiry, District personnel agreed that the access was unnecessary and, in August 2017, removed the IT access privileges to student SSNs for the 52 employees. Also, in October 2017, the District removed the IT access privileges to former student SSNs for the other 62 employees. The existence of unnecessary IT access privileges to student SSNs increases the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used in fraud against District students or others. Similar findings were noted in our report Nos. 2016-092 and 2015-105.

Recommendation: The District should continue efforts to ensure that only those employees who have a demonstrated need to access student SSNs have such access. Such efforts should include documented, periodic reviews of assigned IT user access privileges to student SSNs to determine whether such privileges are necessary and ensure the timely removal of any inappropriate or unnecessary access privileges detected. In addition, the District should document the basis for maintaining former student SSNs and, if that information is unnecessarily maintained, the District should purge that information from District records.

Finding 8: Information Technology User Access Privileges – Business Application

Effective access controls include granting employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibilities. Effective controls restrict employees from having update access privileges that are unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of these privileges to help prevent individuals from performing unauthorized or fraudulent transactions.

Our examination of District records supporting IT user access privileges to the District business application for 30 selected employees disclosed that the access privileges for 7 employees were inappropriate and permitted these employees to perform incompatible functions or were unnecessary for their assigned job responsibilities. Specifically:

- 5 employees, including 2 benefit and risk management staff, an IT specialist, an office manager, and a human resource assistant, had Districtwide access privileges that allowed these employees to access unnecessary or incompatible system functions. For example, the 5 employees had update privileges to critical functions within the business application, including the ability to add or update vendor records and addresses, add and change purchase orders, and process payments. The ability to add or update vendor records and addresses and change purchase orders is appropriate only for purchasing personnel.

- An executive secretary who had assigned responsibilities for answering telephones, greeting visitors, assisting with student registration, and performing other administrative duties, was also granted department head access privileges that were unnecessary for her to perform her job responsibilities. Department head access privileges provide employees with a wide range of update and view access to restricted vendor records, purchase orders, journal entries, the general ledger, and the budgetary system.
- An executive director who had assigned responsibilities for providing leadership in the development, implementation, and oversight of instruction and assessment programs and supervising professional, instructional, and administrative staff, was also granted IT system administration access privileges to the District business application, which did not appear consistent with the executive director job responsibilities. IT system administration is a responsibility only appropriate for IT personnel.

According to District personnel, the District performed reviews of IT user access privileges to monitor certain access privileges; however, although we requested, District records were not provided to evidence such reviews. District personnel also indicated that the District has implemented certain controls, such as independent verification of electronic fund transfers, review and approval of vendor payments and journal entries, bank account reconciliations, and Board and Superintendent monthly expenditure review and approval, to compensate for the unnecessary and inappropriate IT user access privileges we noted. Notwithstanding that response, the existence of inappropriate or unnecessary IT user access privileges increases the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

Recommendation: District management should continue efforts to ensure that IT user access privileges enforce an appropriate separation of duties and are necessary for the users' assigned job responsibilities. In addition, the District should document the periodic review of IT user access privileges and timely remove any inappropriate or unnecessary access privileges detected.

Finding 9: Information Technology – Disaster Recovery Plan

An important element of an effective internal control system over IT operations is a disaster recovery plan to help minimize data and asset loss in the event of a major hardware or software failure. A disaster recovery plan should identify key recovery personnel and critical applications, provide for backups of critical data sets, and include step-by-step procedures for recovery. In addition, plan elements should be tested periodically to disclose any areas not addressed and to facilitate proper conduct during an actual disruption of IT operations.

While the District had developed a disaster recovery plan, the plan was not comprehensive as it did not identify the assigned responsibilities for recovery activities to key employees and backup personnel, prioritize critical operations, applications, and data for recovery, or detail the specific processes and procedures to be followed at the District to affect the recovery and restoration of financial, payroll, student records, and other critical applications. In response to our inquiries, District personnel indicated that offsite backup centers are maintained by the new ERP vendor that ensure financial, payroll, student records, and other critical applications will be restored in the event of a disaster. Notwithstanding this response, without a comprehensive disaster recovery plan, and annual testing of the plan, there is an

increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

Recommendation: The District should develop a comprehensive IT disaster recovery plan that identifies the District's key recovery personnel and critical operations, applications, and data for recovery; and includes step-by-step procedures for recovery. In addition, once developed, the District should test the plan at least annually.

Finding 10: Information Technology – Risk Assessment

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

Although the District had informally considered external and internal risks to its IT resources, the District had not developed a comprehensive, written IT risk assessment. A comprehensive, written IT risk assessment would consider specific threats and vulnerabilities Districtwide, including at the network, system, and application levels. A comprehensive, written IT risk assessment would also document the range of risks that District systems and data may be subject to, including those posed by internal and external users, as well as plans for the mitigation of identified risks.

In response to our inquiry, District personnel indicated that an IT risk assessment will be completed during the 2017-18 fiscal year. The absence of a comprehensive, written IT risk assessment plan may lessen the District's assurances that all likely threats and vulnerabilities have been identified, the most significant risks have been addressed, and appropriate decisions have been made regarding which risks to accept and which risks to mitigate through appropriate controls.

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

Finding 11: Information Technology – User Authentication

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

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

Recommendation: The District should improve security controls related to user authentication 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 reports, except as noted in Findings 2 and 7 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year	2013-14 Fiscal Year
	Operational Audit Report No. 2016-092, Finding	Operational Audit Report No. 2015-105, Finding
2	3	Not Applicable
7	6	10

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2017 to December 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2016-092.
- 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 2016-17 fiscal year audit period, and selected District actions subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed 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) business application 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 30 roles that allowed update access privileges to selected critical ERP system business application functions resulting in the review of the appropriateness of access privileges granted for 30 accounts.
- Reviewed District procedures to prohibit former employee access to District data files.
- Evaluated District security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Determined whether a comprehensive, written IT risk assessment had been developed to document the District's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.

- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District business application.
- Evaluated the adequacy of District procedures related to security incident response and reporting.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District's data center.
- Examined Board, committee, and school advisory council meeting minutes to determine 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 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, 2017, 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 determine the ability of the District to make future debt service payments.
- From the population of expenditures totaling \$16.6 million and transfers totaling \$7.7 million during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$2.9 million and \$5.8 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined supporting documentation to determine whether total workforce education program funds expenditures for the audit were for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 94,660 contact hours for 564 adult general education instructional students during the audit period, examined District records supporting 3,974 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Evaluated District controls based on review of selected records to determine whether the District provided individuals with a written statement as to the purpose of collecting their social security numbers (SSNs). Also, for SSNs collected, we evaluated whether District controls appropriately secured and protected the confidentiality of the SSNs.
- Examined the District Web site to determine whether the 2016-17 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Evaluated severance pay provisions in the Superintendent contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- From the population of compensation payments totaling \$48.8 million to 1,453 employees during the audit period, examined District records supporting compensation payments totaling \$85,315 to 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Examined District records to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student

performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.

- Examined District records for the audit period for 30 employees selected from the population of 1,453 employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background checks.
- Examined Board policies, District procedures, and related records for the audit period for school volunteers to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of 30 selected Florida Best and Brightest Teacher Scholarship Program award recipients who received awards totaling \$204,507 during the audit period. Specifically, we selected:
 - 24 District school recipients of the awards from the population of 44 District teachers who received scholarship awards totaling \$299,944.
 - 6 charter school recipients of the awards from the population of 8 charter school teachers who received scholarship awards totaling \$54,535.
- From the population of 568 payments totaling \$113,654 paid to employees for other than travel and payroll payments during the audit period, examined documentation for 30 selected payments totaling \$6,020 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Reviewed District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes. We also reviewed procedures for the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- Examined District records to determine whether the District evaluated the effectiveness and suitability of the software applications prior to purchase, whether the purchases were made through the competitive vendor selection process, and to determine whether deliverables met the contract terms and conditions.
- For the 12 contracts totaling \$36.6 million supporting the significant construction projects during the audit period, examined District records supporting these projects 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 companies were properly selected.
 - Reviewed District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined District records to determine whether the architects were properly selected and adequately insured.
 - Determined whether the District established policies and procedures addressing negotiation and monitoring of general conditions costs.
 - Examined District records to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
 - Examined District records to determine whether projects progressed as planned and were cost effective and consistent with established benchmarks, and whether District records supported that the contractors performed as expected.

- Examined District records for 7 construction contracts with expenditures totaling \$5.7 million to determine whether the District made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports noting 769 deficiencies and selected 30 deficiencies to determine whether the District had taken timely actions to correct the deficiencies.
- From the population of purchasing card (P-card) transactions totaling \$1.5 million during the audit period, examined documentation supporting 42 selected transactions totaling \$44,926 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for six cardholders who separated from District employment during the audit period.
- From the population of expenditures totaling \$63.3 million for the audit period, we examined documentation relating to 30 payments for general expenditures totaling \$639,768 to determine whether expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies; and applicable vendors were properly selected.
- From the population of consultant contracts totaling \$25.5 million during the audit period, examined supporting documentation, including contract documents, for 30 selected payments totaling \$3.2 million to determine whether:
 - The District complied with competitive selection requirements for applicable consultants.
 - 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.
- Examined financial records of the District's self-insured health insurance program during the audit period to determine whether the program was fiscally sound.
- Determined whether the District had adequate Virtual Instruction Program (VIP) policies and procedures.
- For FDOE-approved VIP providers that contracted with the District for the audit period, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- Evaluated District records for the audit period to determine whether the District provided the required VIP options and properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined District accounting records for the audit period to verify that the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- Evaluated District records for the audit period to determine whether the VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study as required by Section 1002.45.3(a) and (b), Florida Statutes.
- Examined student records and evaluated District procedures for the audit period to determine whether the District ensured that VIP students were provided with all necessary instructional materials and, for those eligible students who did not already have such resources in their home,

computing resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.

- From the population of 53 students enrolled in the District VIP during the audit period, examined District records for 8 selected students to determine whether the students met the statutory eligibility requirements prescribed by Section 1002.45(5), Florida Statutes, and the statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Section 1002.45(6)(a) and (b), Florida Statutes.
- Reviewed District procedures, examined District records, and evaluated controls over cash collections for the after-school child care program. We examined District records supporting 114 selected daily deposits totaling \$61,909 for the six schools offering the program to determine whether fees were properly assessed, agreed to attendance records, and were timely deposited.
- Reviewed District records to determine whether the District adequately documented the basis for the selection of the financial advisor, Board resolution, reasonableness of issuance costs and interest rates for the District's Sales Tax Bonds, Series 2017.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

MARK T. PORTER
Superintendent of Schools



To Excellence in the Monroe County Schools

Members of the Board

District # 1
BOBBY HIGSMITH
Chairman

District # 2
ANDY GRIFFITHS

District # 3
MINDY CONN
Vice-Chairman

District # 4
JOHN R. DICK

District # 5
RONALD A. MARTIN

March 26, 2018

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

Dear Ms. Norman,

I have reviewed the list of preliminary and tentative findings and recommendations based on your operational audit of the Monroe County District School Board. My response to each finding is as noted below:

Finding No 1:

State law requires reasonable notice of public meetings and minutes of public meetings be promptly recorded and open for public inspection; however, the District did not always provide public notice for school advisory council meetings or record the minutes of those meetings.

Response:

The District concurs with this finding. Corrective action has been taken on this finding. The District will continue to monitor its compliance with the required public notice for school advisory council meetings and that minutes of those meetings be promptly recorded and open for public inspection.

Finding No. 2:

The Board awarded two construction contracts totaling \$132,580 based, according to District personnel, on other governmental entities' competitive negotiations and contracts. However, the District did not obtain documentation to evaluate the reliability of the other entities' negotiations and to confirm that the District's contracts were based on similar or better conditions and terms than included in the other entities' contracts. A similar finding was noted in report No. 2016-092.

Response:

The District will continue its efforts to ensure that adequate documentation is obtained to evaluate the reliability of the other entities' negotiations and confirm that the District received similar or better conditions included in the other entities' contracts.

Finding No. 3:

District construction contracts did not always contain penalties to be paid by contractors for failure to comply with contract terms.

Response:

The District concurs with this finding. The District will enhance its procedures to ensure that all construction contracts contain the penalty provisions required by Florida Statutes.

Finding No. 4:

The District did not always base teacher eligibility for Florida Best and Brightest Scholarship awards on reliable and authentic records of college entrance examination scores.

Response:

In light of the lack of guidelines from the Florida Department of Education as to what constitutes reliable and authentic records, the District accepted temporary documentation from the examination providers that indicated eligibility for the award. It should be noted that subsequent to the auditors' inquiry, the District received the final examination reports for the cited teachers.

Finding No. 5:

Required background screenings were not always performed for applicable instructional and noninstructional employees.

Response:

The District concurs with this finding. Upon notification from the auditors, the District took action to complete the background screenings for the three noted employees. No unsuitable backgrounds were noted. The District will enhance its procedures to ensure that required background screenings are timely performed and that required background screenings are performed for instructional and noninstructional employees at least once every five years.

Finding No. 6:

District controls could be strengthened to ensure instructional contact hours for adult general education classes are accurately reported to the Florida Department of Education.

Response:

The District will continue to strengthen its controls to ensure accurate reporting of instructional contact hours for adult general education to Florida Department of Education (FDOE). The District will contact the FDOE to determine to what extent the adult general education hours were misreported and bring the issue to resolution.

Finding No. 7:

The District needs to continue efforts to ensure that only those employees who have a demonstrated need to access student social security numbers have such access.

Response:

The District is very mindful regarding the protection of our student data. As noted in the preliminary and tentative findings, the District undertook restricting access to student social security numbers to only those users that have a demonstrated need for access. Subsequent to the audit period, the District completed the conversion of all student education identification numbers to a non-social security based number.

Finding No. 8:

Some inappropriate or unnecessary information technology (IT) access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

Response:

The District will continue its efforts to ensure that IT user access privileges enforce an appropriate separation of duties. The District will also document the periodic review of IT user access privileges and timely remove inappropriate or unnecessary access privileges noted.

Finding No.9:

The District's IT disaster recovery plan was not comprehensive as it lacked sufficient detail to affect the recovery of critical District records and applications.

Response:

The District concurs with this finding. The District will develop a comprehensive IT disaster recovery plan as part of the IT risk assessment noted below. The District will then test the plan at least annually.

Finding No. 10:

To provide a documented basis for managing IT-related risks, the District needs to develop a comprehensive, written IT risk assessment.

Response:

The District concurs with this finding. The District will develop a comprehensive, written IT risk assessment.

Finding No. 11:

IT security controls related to user authentication need improvement.

Response:

The District will continue to improve its security controls related to user authentication.

We appreciate the professionalism of staff throughout the audit process.

Sincerely,



Mark T. Porter, Superintendent
Monroe County Schools