

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-115
February 2019

**CLAY COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Addison G. Davis served as Superintendent of the Clay County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Janice A. Kerekes, Chair through 11-1-17	1
Carol Y. Studdard, Chair from 11-2-17, Vice Chair through 11-1-17	2
Betsy Condon, Vice Chair from 11-2-17	3
Mary Bolla	4
Ashley Gilhousen	5

The team leader was Sue Granger, and the audit was supervised by Randy R. Arend, CPA.

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CLAY COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Clay County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2017-069 and management letter comments in the 2016-17 financial audit report. Our operational audit disclosed the following:

Finding 1: District personnel did not compare construction management entity (CME) pay requests to the CME guaranteed maximum price (GMP) contracts and subcontractor contracts for the Discovery Oaks Elementary School Project. The CME GMP contracts were \$20.8 million, including \$18.6 million for subcontractor services.

Finding 2: District construction administration monitoring procedures for the Discovery Oaks Elementary School Project did not include District personnel attendance at the subcontractor bid openings or documented comparisons of the subcontractor bids and contracts to verify that the CME used a competitive selection process to select subcontractors and that the selected bid and contract amounts agreed.

Finding 3: The District did not verify the licenses of subcontractors before they commenced work on the Discovery Oaks Elementary School Project.

Finding 4: The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

Finding 5: The District did not obtain documentation to support the eligibility of all dependents enrolled in the District health insurance plan. In addition, the District had not established procedures to document periodic verifications to ensure that dependent participants in the plan remain eligible.

Finding 6: The District disbursed Florida Best and Brightest Teacher Scholarship Program awards totaling \$31,200 to 22 prekindergarten teachers who did not meet the statutory definition of a “classroom teacher” and, therefore, were ineligible for the awards.

Finding 7: District charter school closure monitoring efforts were not always documented and did not always ensure that audit reports were timely completed.

Finding 8: District controls over payments for school resource officer services need enhancement.

Finding 9: The District did not always timely cancel purchasing cards after cardholders separated from District employment.

Finding 10: Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

Finding 11: The District did not timely remove the IT access privileges of some former employees.

Finding 12: The District needs to develop a comprehensive, written IT risk assessment plan.

Finding 13: District security controls related user authentication and data loss prevention continue to need improvement.

BACKGROUND

The Clay 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 Clay County. The governing body of the District is the Clay County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 42 elementary, middle, high, and specialized schools; sponsored 3 charter schools; and reported 37,295 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Monitoring Construction Payment Requests

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for 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. The CME may be required to offer a guaranteed maximum price (GMP), which 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. To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to successful completion of GMP contracts, it is important that District personnel verify that CME pay requests agree with supporting documentation such as subcontractor bids, contracts, and invoices.

The District solicited competitive proposals, as required by State law,¹ for CME services related to the Discovery Oaks Elementary School Project and, in June 2017, the Board entered into GMP contracts totaling \$20.8 million with a CME for this project, which included subcontractor services of \$18.6 million. During the 2017-18 fiscal year, District expenditures to the CME totaled \$11.1 million, including \$9.4 million paid to the CME for subcontractor services, \$943,000 for general conditions costs, and \$754,000 for CME overhead and profit. To evaluate District monitoring controls over CME pay requests for that year, we inquired of District personnel and examined District records supporting all CME expenditures.

Our examination of District records disclosed that District personnel reconciled CME pay requests to subcontractor invoices, verified the mathematical accuracy of the requests, and also verified prior payments were being properly accumulated. However, District personnel indicated that they did not compare each line in the schedule of values for each CME pay request to the GMP contracts nor were the amounts for subcontractor services compared to subcontractor contracts. In addition, as discussed

¹ Section 287.055, Florida Statutes.

in Finding 4, District personnel did not compare general conditions costs billed in the CME pay requests to appropriate supporting documentation.

According to District personnel, the CME retained the subcontractor contract documents and the District relied on the CME to compare the subcontractor contracts to the subcontractor services and related costs prior to submitting the CME pay requests. District personnel also indicated that they relied on the project architect to certify the CME pay requests for payment. However, District reliance on the CME comparison and architect certification procedures may not always help the District achieve maximum cost savings associated with GMP contracts and subcontractor services.

We requested, and in June 2018 the District obtained from the CME, the subcontractor contracts supporting the \$9.4 million paid to the CME for subcontractor services. Our review disclosed that the selected CME pay requests were consistent with the GMP contracts and subcontractor contracts; however, our procedures cannot substitute for the District's responsibility to properly monitor CME pay requests. Absent a documented comparison of each line in the schedule of values for each CME pay request to appropriate supporting documentation, there is an increased risk that the District may overpay for services and not realize maximum cost savings under GMP contracts.

Recommendation: The District should enhance procedures for monitoring CME pay requests to include a documented comparison of the cost items in the CME pay requests to GMP contracts and subcontractor contracts, before payment is made to the CME.

Finding 2: Subcontractor Selection

The CME contract for the Discovery Oaks Elementary School Project required the CME to solicit bids and award subcontracts, as necessary. The CME contract further required that the subcontractor bids be opened in the presence of, and in a location agreed to by, the District's representative and that the District determine, with the advice of the CME, which subcontractor bids will be accepted. As such, the contract provided for District personnel to select subcontractors and ensure services were obtained at the lowest cost consistent with acceptable quality and to realize maximum cost savings under the GMP contract.

Our audit procedures, including inquiries with District personnel, disclosed that the District's representative did not attend the subcontractor bid openings or verify that the bids were awarded to subcontractors based on the lowest cost bid consistent with acceptable quality. Additionally, District personnel indicated that they did not compare the selected subcontractor bids per bid tabulation sheets to the CME subcontractor contracts to ensure that subcontractors were competitively selected and that the selected bid and contract amounts agreed. Instead, District personnel relied on the CME to ensure that subcontractors were competitively selected because, according to District personnel, monitoring the subcontractor selection process is a contractual responsibility of the CME. Notwithstanding the CME's contractual responsibilities, the District has a contractual obligation to participate in and select acceptable subcontractors.

From the population of 28 subcontractors contracted to provide services totaling \$18.6 million for the Discovery Oaks Elementary School Project, we requested, and District personnel obtained from the CME, subcontractor contract documents for the 7 largest dollar subcontracts. The subcontracts ranged from

\$1.1 million to \$2.4 million and totaled \$12.8 million and were for masonry, electrical, sitework, and other subcontractor services. We compared the selected bid amounts listed on the bid tabulation sheets to the CME subcontractor contracts to determine whether the subcontractors were competitively selected, and the selected bid and contract amounts agreed. We found that 5 of the 7 subcontracts ranged from \$342,250 less than the low bid amount on the tabulation sheets to \$236,895 more than the low bid amount on the tabulation sheets. Subsequent to our request, the District requested and obtained documentation from the CME to evidence that, after subsequent bid clarifications, value engineering, and other adjustments, the 5 subcontracts reconciled to the low bid on the tabulation sheets.

While our review disclosed that the subcontract amounts agreed with the subcontractor bids based on the explanations provided, our procedures cannot substitute for the District's responsibility to document verification and related explanations that subcontractor contracts are awarded by the CME using a competitive selection process and that the selected bid and contract amounts agree. Without District procedures requiring documented verification that CMEs used a competitive process for selecting subcontractors, and documented comparisons of selected bids and subcontractor contracts, the risk increases that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and the District may not realize maximum cost savings under a GMP contract.

Recommendation: The District should enhance procedures to ensure that District personnel attend subcontractor bid openings and document comparisons of selected subcontractor bids to subcontractor contracts to verify that the CME used a competitive selection process to select subcontractors and that the selected bid and contract amounts agree. When the amounts do not agree, District records should document appropriate explanations to reconcile the selected bid and contract amounts.

Finding 3: Subcontractor Licenses

State law² provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law³ also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

For the Discovery Oaks Elementary School Project, the CME subcontracted certain construction services requiring licensure under State law to six subcontractors for \$11.3 million. District personnel indicated that they did not verify that the subcontractors were licensed but relied on the CME to verify the licenses as a CME contractual responsibility. However, District reliance on CME subcontractor license verifications provides limited assurance as to the effectiveness of that process.

As part of our procedures, we requested and were provided documentation to confirm that all six subcontractors were appropriately licensed. However, our procedures do not substitute for management's responsibility to implement adequate controls to document verification of these licenses. Timely documented verifications that subcontractors are appropriately licensed provides the District

² Section 1013.45(1)(c), Florida Statutes.

³ Chapter 489, Florida Statutes.

assurance that the subcontractors who will be working on District facilities meet the qualifications to perform the work for which they are engaged.

Recommendation: The District should enhance procedures to document verification that subcontractors are appropriately licensed before they commence work on District facilities. Such verification should be documented in District records.

Finding 4: General Conditions Costs

GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts.

The GMP contract for the Discovery Oaks Elementary School Project included general conditions costs totaling \$984,149 and CME pay requests included general condition costs for the 2017-18 fiscal year totaling \$943,000. According to the GMP contract, once the GMP was approved, the general conditions would convert to a lump-sum amount and be billed in even monthly amounts.

In response to our inquiries, District personnel indicated that general conditions were evaluated and determined based on several common criteria including, but not limited to, project schedule, location, complexity of the work, and staff dedicated to the project; however, the District had not established policies or procedures for effectively negotiating, monitoring, and documenting the reasonableness of the general conditions costs. Additionally, District records did not document the methodology used and factors considered during the negotiation process to establish the reasonableness of the general conditions costs and detailed documentation, such as CME payroll records or copies of CME-paid invoices, was not obtained by the District to support the propriety of the general conditions costs billed and paid.

Absent effective negotiation of general conditions costs and monitoring of detailed documentation, such as CME payroll records or CME paid invoices, to support the amounts the CME requests from the District, the District may be limited in its ability to determine the propriety of CME pay requests for general conditions costs or to recover any cost savings associated with these costs.

Recommendation: The District should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs. In addition, GMP contracts should require CMEs to document the reasonableness of general conditions costs and the District should maintain records that evidence the receipt and review of sufficiently detailed documentation supporting the general conditions costs included in CME pay requests.

Finding 5: Health Insurance – Premiums and Participant Eligibility

During the 2017-18 fiscal year, the District provided health insurance to employees and their dependents and contributed \$16.9 million toward their health insurance premium costs. As of June 2018, the District

health insurance plan insured 2,844 employees, 109 retirees, and 1,115 employee and retiree dependents. Pursuant to State law,⁴ retirees who elect to continue participation in the District's health insurance plan pay a premium cost of no more than the premium cost applicable to active employees. Eligible dependents include spouses and qualifying children (i.e., by birth, marriage, legal adoption, or legal guardianship). To ensure that only eligible dependents participate in the District health insurance plan, procedures to obtain and verify documentation supporting dependent eligibility are necessary.

Employees and retirees may enroll in the District health insurance plan upon employment, upon retirement, and during open enrollment periods, and make changes to their insurance beyond the enrollment periods for certain qualifying events such as marriage, divorce, death, or birth of a dependent. According to District personnel, new employees and employees and retirees making changes to dependent insurance benefits for qualifying events such as marriage, divorce, death, or birth of a dependent are asked to provide evidence of dependent eligibility, including documentation such as marriage certificates, tax returns, birth certificates, or divorce decrees. However, during open enrollment the District did not require all employees and retirees making changes to provide such evidence. Instead, according to District personnel, the District relied on employee certifications made during initial and open enrollment that dependents were eligible for plan services. In addition, although District records evidenced that District personnel reconciled health insurance billings to payroll records to ensure that insurance premiums were only for eligible employees and retirees, the District had not established procedures to periodically verify that dependents of health insurance plan participants continue to be eligible for plan services.

As part of our audit, we requested for examination District records supporting verifications of the eligibility of 62 dependents for 29 employees, including 40 children and 22 spouses, enrolled in the District health insurance plan. District records evidencing District actions to verify the eligibility of 13 dependents for 5 employees was not initially available. In response to our inquiries, District personnel contacted the 5 employees and obtained documentation to support the eligibility of 11 dependents for 4 employees. However, as of November 2018, records were unavailable to support the eligibility of 2 dependents for 1 employee. Without eligibility verification procedures for all employee and retiree dependents, there is an increased risk that the dependents receiving insurance benefits may not be eligible for those benefits. In addition, claims for ineligible dependents could result in future increases in health insurance premium costs paid by the District and District employees and participating retirees.

Recommendation: The District should require and ensure, upon enrollment of a dependent into the District health insurance plan, verification of applicable documentation such as birth or marriage certificates. The District should also establish documented, periodic verification procedures to ensure that dependent participants in the plan continue to be eligible. In addition, absent records supporting the eligibility of the 2 dependents participating in the District health insurance plan, insurance benefits for those dependents should be discontinued.

⁴ Section 112.0801, Florida Statutes.

Finding 6: Florida Best and Brightest Teacher Scholarships

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program⁵ to reward classroom teachers⁶ who achieved high academic standards during their own education. Classroom teachers eligible for a \$6,000 scholarship award are those who 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 law⁷ in the school year immediately preceding the year in which the scholarship will be awarded or, if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment. In addition, State law provides for a \$1,200 or \$800 scholarship for a classroom teacher who was evaluated as highly effective or effective, respectively, pursuant to State law in the school year immediately preceding the year in which the scholarship will be awarded. 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) by December 1st of each year. The FDOE then disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in State law.

To demonstrate eligibility for a scholarship award, District-employed teachers are required to submit to the District a Best and Brightest Teacher Scholarship application and a copy of their evaluation. For the \$6,000 scholarship, District-employed teachers are also required to submit 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 national percentile ranks in effect when the teacher took the assessment. Pursuant to State law,⁸ once a classroom teacher is deemed eligible for an award, 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.

During the 2017-18 fiscal year, the District awarded scholarships totaling \$3.6 million to 1,920 District-employed teachers.⁹ Our examination of District records supporting scholarship awards totaling \$95,600 to 57 selected recipients disclosed that 22 scholarship recipients, awarded scholarships totaling \$31,200, were prekindergarten teachers who did not meet the statutory definition of a classroom teacher. According to District personnel, most of the District prekindergarten teachers had classes that included prekindergarten students and students who may be of kindergarten age or older, as students are assigned to prekindergarten instruction based on their needs and capabilities. Notwithstanding the

⁵ Section 1012.731, Florida Statutes.

⁶ Section 1012.01(2), Florida Statutes, defines classroom teachers as K-12 staff members assigned the professional activity of instructing students in courses in classroom situations, including basic instruction, exceptional student education, career education, and adult education, including substitute teachers.

⁷ Section 1012.34, Florida Statutes. Section 1012.34(3)(a), Florida Statutes, requires the evaluation to include consideration of student performance.

⁸ Section 1012.731(3)(b), Florida Statutes.

⁹ Although District charter schools were notified of the scholarship process, no applications were received by the District for classroom teachers at the charter schools.

District's response, pursuant to State law,¹⁰ prekindergarten students include children who are not yet ready for kindergarten and the scholarship is limited to classroom teachers as defined in State law,¹¹ which is limited to K-12 personnel. In addition, the term "Prekindergarten Instructor" is defined separately in State law.¹²

Absent effective procedures to limit scholarships to statutory defined classroom teachers, there is an increased risk that scholarships may be awarded to ineligible recipients.

Recommendation: The District should enhance procedures to ensure that scholarships are only awarded to eligible recipients who meet the classroom teacher statutory definition. In addition, the District should refund the FDOE for the awards totaling \$31,200 paid to ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Follow-Up to Management's Response

Management indicated in the written response that the District disagrees with this finding and that the District's elementary prekindergarten programs are staffed by teachers who instruct under a Florida Exceptional Student Education course code number. Management also indicates that this course code number is listed in the Florida Exceptional Course Code directory, placing this course under the umbrella K-12.

Notwithstanding this response, pursuant to State law, prekindergarten students include children who are not yet ready for kindergarten and the scholarship is limited to classroom teachers as defined in State law. That definition limits classroom teacher to K-12 personnel. As such, we continue to recommend that the District enhance procedures to ensure that scholarships are only awarded to eligible recipients who meet the classroom teacher statutory definition, and that the District refund the FDOE for the awards totaling \$31,200 paid to ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

Finding 7: Charter School Closure

State law¹³ requires, upon initial notification of nonrenewal, closure, or termination of a District-sponsored charter, the charter school to have an independent audit completed within 30 days after notice of nonrenewal, closure, or termination to account for all public funds and assets. According to District personnel, the District implemented procedures to notify charter schools of State law requirements by including appropriate provisions in charter school charter contracts. In addition, upon notification of nonrenewal or termination of a charter contract, District personnel discuss with the charter school staff the closure procedures and applicable statutory requirements.

¹⁰ Section 1002.53(2), Florida Statutes, provides that each child who resides in Florida who will have attained the age of 4 years on or before September 1 of the school year is eligible for the Voluntary Prekindergarten Education Program during either that school year or the following school year. The child remains eligible until the child is admitted to kindergarten, or unless he or she will have attained the age of 6 years by February 1 of any school year.

¹¹ Section 1012.01(2)(a), Florida Statutes.

¹² Section 1002.51(6), Florida Statutes, defines prekindergarten instructors to include teachers who provide instruction to students in a prekindergarten program.

¹³ Section 1002.33(9)(o), Florida Statutes.

One of the four charter schools sponsored by the District during the 2016-17 fiscal year was the Orange Park Performing Arts Academy Charter School (Academy Charter School), which closed in July 2017. Our examination of District records disclosed that the State Board of Education, pursuant to State law,¹⁴ terminated the Academy Charter School's contract in July 2017 after the charter school received a failing school grade for 2 consecutive years. The contract included provisions for termination or nonrenewal, including provisions for the District to withhold the State funds necessary to cover the cost of a financial audit during the fiscal year in which termination or nonrenewal occurs and for the return of charter school's property to the District. However, the contract did not require an independent audit to be completed within 30 days after the notice of the charter school closure.

According to District personnel, based on the Academy Charter School property records, the property of the school was returned to the District. However, the District did not withhold funds to cover the cost of the Academy Charter School's financial audit and District records did not evidence District communications with the School's representatives to ensure that a financial audit would be completed. According to District personnel, an independent audit for the charter school had not been completed as of November 2018, which was 15 months after the audit was required. District personnel also indicated that District personnel did not review the charter school audit contracts to determine whether an independent audit was required to be completed within 30 days after the notice of a charter school closure.

In response to our inquiries, District personnel indicated that they were unaware whether an audit of the Academy Charter School would be completed and did not require an audit because the school returned the property acquired with State funds and the school had no unencumbered funds available to pay for an audit. Notwithstanding, State law requires that, upon termination of a District-sponsored charter, the charter school have an independent audit completed within 30 days after notice of nonrenewal, closure, or termination.

Charter school audit reports provide an accurate accounting of financial resources and activities of the schools and provide assurances of the public funds and other assets that should revert to the District.

Recommendation: The District should ensure that charter school closures are appropriately monitored and that District monitoring efforts are documented. At a minimum, the District's charter school monitoring records should demonstrate that the District took appropriate actions to ensure that an independent audit would be completed as required by State law. Such actions should include:

- **An annual review of charter school audit contracts to confirm that an independent audit was required to be completed within 30 days after the notice of a charter school closure.**
- **Increased communications with the charter school and the charter school auditor to ensure timely completion of required audits.**

Finding 8: School Resource Officer Services

Effective contract management requires and ensures that contract provisions establish required service times and that records are maintained to evidence satisfactory receipt of contracted services by

¹⁴ Section 1002.33(9)(n)4.c., Florida Statutes (2016).

personnel with direct knowledge of the services prior to payment. For the 2017-18 fiscal year, the District made contractual services payments totaling \$9.9 million to 280 contractual service providers.

As part of our audit, we examined District records supporting 31 selected payments for contractual services totaling \$471,339 to determine the propriety of the payments. While District records evidence that the District designed and implemented internal controls that generally ensure payments are consistent with contract terms and provisions, we identified certain control deficiencies for contracting and monitoring one contract, with related payments totaling \$112,500, for school resource officer (SRO) services.

We expanded our audit procedures to evaluate District records supporting SRO services and related payments for the entire 2017-18 fiscal year. We found that, pursuant to State law,¹⁵ the Board approved a contract with the Clay County Board of County Commissioners and the Clay County Sheriff's Office (CCSO) for SRO services at eight District schools for the period October 2017 through September 2018. The contract required the Board to pay \$530,500 in 12 equal installments upon receipt of a monthly detailed invoice submitted by the CCSO. The contract also required the CCSO to maintain records of the services provided by SROs, such as the number and types of service calls. However, we also found that the contract did not set forth the required SRO service times and the District had not established procedures to require that SRO contracts specify the Board-expected SRO service times. In response to our inquiry, District personnel indicated that the District relied on the CCSO to maintain time records for SRO services.

In addition, although District procedures had been established to require and ensure proper documentation of satisfactory receipt of the services prior to payment, District records evidencing that school personnel with direct knowledge of the services documented that the SRO services were received were not provided upon our request.

Without established procedures that require contract provisions to specify required service times, the SRO responsibilities are not clearly defined, and services may not be provided consistent with Board expectations. In addition, absent documented verification of the satisfactory delivery of services before payments are made, there is an increased risk that any overpayments that may occur will not be timely detected and resolved.

Recommendation: The District should establish procedures to require and ensure that SRO contracts set forth the required SRO service times. In addition, prior to payment, school personnel with direct knowledge of the SRO services should document satisfactory receipt of the services.

Finding 9: Purchasing Cards

The District uses purchasing cards (P-cards) to expedite the purchase of selected goods and services when purchase orders are not accepted by a vendor or when there are financial savings to the School Board. Purchases made with P-cards are subject to requirements outlined by a signed cardholder agreement, as well as additional requirements set by the State Board of Education¹⁶ and the Board's

¹⁵ Section 1006.12, Florida Statutes.

¹⁶ State Board of Education Rule 6A-1.012, Florida Administrative Code.

purchasing policies.¹⁷ The cardholder agreement specifies that cardholders who separate from District employment are to surrender their P-card upon termination and that no further use of the card is authorized. The District's P-card Administrator is responsible for canceling P-cards for cardholders who separate from District employment.

For the 2017-18 fiscal year, the District incurred P-card expenditures totaling \$715,394 and, as of June 30, 2018, 73 P-cards were in use. To determine whether the District promptly canceled applicable P-cards, we examined District records for the 26 cardholders who separated from District employment during the period July 2016 through June 2018. We found that the District did not cancel the P-cards for 18 of the 26 former employees until 12 to 196 days, or an average of 39 days, after the cardholders' employment separation dates.

In response to our inquiries, District personnel indicated that the P-card cancellations were delayed because the P-card Administrator was not timely notified. District personnel also indicated that, during the 2018-19 fiscal year, a weekly reporting process was developed to identify when employees discontinue employment and to notify the financial institution to cancel the P-card.

Our examination of P-card activity for the 18 former employees disclosed that charges were made after the employment separation date for 4 cardholders; however, the charges were either for recurring District costs or other District purposes. Although the financial institution that administers the P-card program allows the District 60 days to dispute charges, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the District's ability to satisfactorily resolve disputed charges.

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

Finding 10: Information Technology User Access Privileges

The Legislature has recognized in State law¹⁸ that social security numbers (SSNs) can be used to acquire sensitive personnel 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 the confidential status of such information. Effective controls restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of information technology (IT) user access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,¹⁹ the District identified each student using a Florida education identification number obtained from the FDOE. However, student SSNs are included in the student records maintained within the District Student Information System (SIS). Student SSNs are maintained in the District SIS to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure and to provide student transcripts to colleges, universities, and potential employers based on

¹⁷ Board Policy 5.02, *General Policies of Purchasing*.

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

¹⁹ Section 1008.386, Florida Statutes.

student-authorized requests. The District's public notice to parents and students required under the Family Educational Rights and Privacy Act provides that only those persons having a legitimate educational interest may view, access, or otherwise make use of student record information. According to District personnel, evaluations of IT user access privileges are periodically performed; however, the evaluations are not documented and do not specifically address access to sensitive personal information of students.

As of June 5, 2018, the District SIS contained sensitive personal information for 136,483 former and 19,837 current District students. Our examination of District records disclosed that 102 employees had continuous Districtwide access to the sensitive personal information of students and an additional 950 District employees had continuous access to the information for certain students based on their assigned profile group and cost center. District personnel indicated that once access to sensitive personal information is granted, employees continue to have such access after students transfer to another school, move from the District, or graduate. District personnel also indicated that, although some employees may need access to current but not former student information, the District SIS did not include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.

As part of our audit, we requested that District personnel confirm whether the 1,052 employees with access privileges to sensitive personal information of students in the District SIS needed this access to perform their assigned responsibilities. In response to our inquiries, District personnel indicated that IT user access privileges to this information was unnecessary for 709 of the 1,052 employees, including special education teachers, academic coaches, school-based and Districtwide administrators, and other administrative and support personnel. Subsequent to our inquiry, in August 2018 District personnel removed IT access privileges to student information for these 709 employees. District personnel also indicated that 343 employees responsible for data entry, guidance counseling, student services, and IT system administrators needed continuous access to this information. Notwithstanding, although we requested, District records were not provided to demonstrate that these 343 users needed continuous access to this information or that occasional access could not be granted only for the time needed.

The existence of unnecessary IT access privileges increases the risk of unauthorized disclosure of sensitive personal information of students and the possibility that the information may be used in fraud against District students or others.

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

- **Establish documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any unnecessary access privileges detected. If an individual only requires occasional access to sensitive personal information, the privileges should be granted only for the time needed.**
- **Consult with the SIS provider regarding a District SIS upgrade to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.**

Finding 11: Information Technology Timely Deactivation of User Access Privileges

Effective management of IT user access privileges includes the timely deactivation of IT access privileges when an employee is reassigned or separates from employment. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

District procedures provide that Human Resource (HR) Department personnel are to provide to Technology and Information Systems (TIS) Department personnel a weekly listing of employees who separate from District employment. Once notified, TIS Department personnel are to deactivate the user's access from the active directory and the TIS Accountability Team are to deactivate the individual's access to the finance module within the District business application.

During the period July 1, 2017, through April 13, 2018, 329 employees separated from District employment. As part of our procedures, we compared the employment separation dates of 30 of these employees to their deactivation dates in the District's active directory and business applications. We found that the District did not deactivate the active directory access for 22 employees until 4 to 117 days, or an average of 32 days, after the employees' separation dates. In addition, access to the finance module within the District business application was not deactivated for 8 of the 22 employees until 4 to 50 days, or an average of 21 days, after the employees' separation dates. According to District personnel, the active directory access allows users to access District resources, such as computers on the District network, files maintained on shared drives, and network printers, and access to the finance module allows users to access or modify certain records within the business application.

In response to our inquiries, District personnel indicated that the deactivation delays occurred primarily because HR Department did not timely notify the IT Department of employment separations. District personnel further indicated that an automated notification system will be implemented during the 2018-19 fiscal year to timely notify the IT Department of employment separations to ensure former employee access is promptly deactivated. Although our procedures did not identify any misuse of District resources as a result of the untimely deactivations, without timely removal of access privileges, the risk is increased that access privileges may be misused by former employees or others.

Recommendation: The District should continue efforts to ensure that access privileges are promptly deactivated upon a user's separation from District employment.

Finding 12: 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 entity's 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 the evaluation of the likelihood of threats and the severity of threat impact, help support management's decisions in establishing cost-effective measures to mitigate risk and, where appropriate, formally accept residual risk.

Although District personnel indicated that they considered external and internal risks when developing the District disaster recovery and incident response plans, the District had not developed a comprehensive, written IT risk assessment. A comprehensive, written IT risk assessment would consider, in addition to high level risks, specific threats and vulnerabilities at the District, network, system, and application levels, and would also document the range of risks that the District systems and data may be subject to, including those posed by internal and external users, as well as plans for mitigation of identified risks.

The absence of a comprehensive, written IT risk assessment may lessen the District's assurance 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. In response to our inquiries, District personnel indicated that a comprehensive, written IT risk assessment plan would be developed. A similar finding was noted in our report No. 2017-069.

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

Finding 13: Information Technology – Security Controls – User Authentication and Data Loss Prevention

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit procedures disclosed certain District controls related to user authentication and data loss prevention 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.

Without adequate security controls related to user authentication and data loss prevention, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were communicated to District management in connection with our report Nos. 2017-069 and 2016-157.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in previous audit reports, except as noted in Findings 12 and 13 and shown in Table 1.

Table 1
Findings Also Noted in Previous Audit Reports

Finding	2015-16 Fiscal Year	2014-15 Fiscal Year
	Audit Report	Audit Report
	No. 2017-069, Finding	No. 2016-157, Finding
12	7	Not Applicable
13	8	20

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 February 2018 to November 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2017-069 and the management letter comments in the 2016-17 financial audit report.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining

significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included transactions, as well as events and conditions, occurring during the 2017-18 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed District 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, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. From the population of 473 employees, we examined District records supporting 30 selected employees' access privileges to the District's enterprise resource planning (ERP) system finance applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties.
- Evaluated District procedures to prohibit former employee access to the District's ERP system. Specifically, we reviewed selected access user privileges for 30 of the 329 employees who separated from District employment during the period of July 1, 2017, through April 13, 2018, to determine whether the access privileges had been timely deactivated.
- Evaluated Board security policies and District 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.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.

- 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.
- Evaluated the adequacy of District procedures related to security incident response and reporting.
- Evaluated District procedures for protecting sensitive personal information of students, including social security numbers. Specifically, for the 1,052 employees who had electronic access to sensitive personal student information, we evaluated the appropriateness and necessity of the access privileges to student information based on the employees' assigned job responsibilities.
- Examined Board and committee meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined the District Web site to determine whether the 2017-18 fiscal year tentative and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether required internal funds audits for the 2016-17 and 2 preceding fiscal years were timely performed pursuant to State Board of Education (SBE) Rule 6A 1.087, Florida Administrative Code (FAC), and Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book), and whether the audit reports were presented to the Board.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2018, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to evaluate the District's ability to make future debt service payments.
- Interviewed District personnel and reviewed District documentation to evaluate whether the District effectively monitored charter schools.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes.
- For the one charter school terminated during the audit period, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the school, except as previously agreed upon by the District.
- Examined District records to determine whether the District verified, for the audit period, that the three charter schools subjected employees and the Board of Directors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
- From the population of expenditures totaling \$29.4 million and transfers totaling \$6.9 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 \$4.3 million and \$3.9 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined District records and evaluated District procedures to determine whether the District distributed the correct amount of local capital improvement funds to its eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- For the one significant construction project, with a guaranteed maximum price contract of \$20.8 million and in progress during the audit period, we:
 - Examined District records to determine whether the construction manager was properly selected.

- Reviewed District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the District ensured subcontractors were properly selected and licensed.
- Examined District records to determine whether architects were properly selected and adequately insured.
- Determined whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs.
- Examined District records supporting 12 selected payments totaling \$11.1 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Examined District records to determine whether the District made use of its sales tax exemption to make direct purchases of materials, or documented justification for not doing so.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports for 10 of the 51 school and ancillary facilities to determine whether deficiencies were timely corrected.
- From the population of \$758,092 total workforce education program expenditures for the audit period, examined District records supporting salary payments totaling \$518,779 to 25 employees and 5 other expenditure payments totaling \$40,982, to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 20,549 contact hours for 430 adult general education instructional students during the 2017 Fall Term, examined District records supporting 594 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with SBE Rule 6A-10.0381, FAC.
- From the population of 5,379 employees compensated a total of \$243.9 million during the audit period, examined District records supporting compensation payments totaling \$55,689 to 30 selected employees to determine whether their rate of pay was accurate and whether supervisory personnel reviewed and approved their reports of time worked. In addition, we examined District leave records for 10 selected employees for two 1-week periods to determine whether leave balances were accurate.
- 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. In addition, for 14 selected instructional employees, we examined District records to determine whether employee compensation was based, in part, on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for the period July 2017 through February 2018 for 30 employees and 20 contractor workers selected from the population of 5,262 employees and 280 consultant contracts to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screenings.
- 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 57 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 1,920 District teachers who received scholarship awards totaling \$3.6 million during the audit period. We also

examined District records to determine whether the District submitted to the FDOE accurate information regarding the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes.

- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate based on the District's policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions, and whether Federal programs were correctly charged for the costs of employee health insurance.
- 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.
- From the population of non-compensation expenditures totaling \$59.4 million for the period July 2017 through April 2018, examined documentation supporting 30 selected payments for general expenditures totaling \$68,593 to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies; and applicable vendors were properly selected.
- From the population of purchasing card (P-card) and store credit card transactions totaling \$715,394 and \$94,662, respectively, during the audit period, examined documentation supporting 35 selected transactions totaling \$101,647 to determine whether P-cards and store credit cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for 26 cardholders who separated from District employment during the audit period.
- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We examined District records to determine whether the District identified eligible schools, including charter schools, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged student and distributed all remaining funds to all eligible schools in accordance with Federal law and regulation.
- From the population of 280 consultant contracts totaling \$9.9 million during the audit period, examined supporting documentation, including the contract documents, for 31 selected payments totaling \$471,339 related to 31 contracts to determine whether:
 - The District complied with competitive selection requirements.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable school, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period.
- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, included consideration of restricted

resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.

- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs.
- Evaluated District procedures for determining maintenance department staffing needs.
- Examined District records for the audit period to determine whether the District properly informed parents and students about students' rights to participate in a virtual instruction program (VIP) and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with a large initial "S" and "N".

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Addison G. Davis
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

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BOARD MEMBERS:

Janice Kerekes
District 1
Carol Studdard
District 2
Betsy Condon
District 3
Mary Bolla
District 4
Ashley Gilhousen
District 5

January 16, 2019

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

Re: The District's written response to the operational audit findings for fiscal year ended June 30, 2018

Dear Ms. Norman:

Please accept the following written statements of explanation concerning the preliminary and tentative audit findings and recommendations dated December 11, 2018. Please note that corrective measures have been taken to incorporate processes to prevent a repeat of these comments.

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.

Respectfully,

Addison G. Davis, Superintendent
Clay County District Schools

Cc: Dr. Susan M. Legutko, Assistant Superintendent Business Affairs
Mr. Michael McAuley, Assistant Superintendent for Climate and Culture
Mr. Dave Broskie, Assistant Superintendent for Human Resources
Dr. Michael Kemp, Assistant Superintendent for Operations

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Finding 1: Monitoring Construction Payment Requests:

District personnel did not compare construction management entity (CME) pay requests to the CME guaranteed maximum price (GMP) contracts and subcontractor contracts for the Discovery Oaks Elementary School Project. The CME GMP contracts were \$20.8 million, including \$18.6 million for subcontractor services.

Recommendation: The District should enhance procedures for monitoring CME pay requests to include a documented comparison of the cost items in the CME pay requests to GMP contracts and subcontractor contracts, before payment is made to the CME.

District Response:

The District does not have a contractual relationship with the subcontractors. The District has contracted with the Construction Manager (CM) to contract with and manage the subcontractors. The CM submits the pay application to the Architect. The Architect, as part of his responsibilities under contract, actually certifies the pay application. Once it has been certified by the Architect the pay application is transmitted to the School District for processing and payment. The School District's Project Manager (PM) reviews the pay application against the project schedule and the schedule of values contained in the application and reviews each line against the subcontractor invoices. The PM will also insure the contract and billed amount reflect all current change orders and Owner Direct Purchase (ODP) deductions to the contract. Upon completion of review by the Project Manager, the pay application is forwarded to the Facilities Accounting Assistant for processing of payment. The PM currently does not compare the billed amount for subcontractor's services to the subcontractor bids and contracts. However, although the District is currently not required by either state or local Board policy to do so, the District is establishing procedures for the PM to compare the billed amount for subcontractor's services to the subcontractor bids and contracts. Also, as noted in the finding, the audit review disclosed that no payment discrepancies were noted and that the selected CME pay requests were consistent with the GMP contracts and subcontractor contracts.

Finding 2: Subcontractor Selection

District construction administration monitoring procedures for the Discovery Oaks Elementary School Project did not include District personnel attendance at the subcontractor bid openings or documented comparisons of the subcontractor bids and contracts to verify that the CME used a competitive selection process to select subcontractors and that the selected bid and contract amounts agreed.

Recommendation: The District should enhance procedures to ensure that District personnel attend subcontractor bid openings and document comparisons of selected subcontractor bids to subcontractor contracts to verify that the CME used a competitive selection process to select subcontractors and that the selected bid and contract amounts agree. When the amounts do not agree, District records should document appropriate explanations to reconcile the selected bid and contract amounts.

District Response:

Again, the District contracted with a Construction Manager for this project. Utilizing this approach, the CM is legally and financially responsible for the performance of the subcontractors on the project. The CM is charged with the responsibility of bidding, selecting and contracting with the subcontractors. The bidding process includes ensuring completion, competitiveness, monitoring and awarding of bids. District staff has deemed this to be a contractual responsibility of the CM. While District Staff did not

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attend the subcontractor bid openings as required by the district contract with the CM, the CM did provide bid tabulation sheets for all bid packages for review by District staff. For future CM contracts, we will ensure that the District representative will be present at the subcontractor bid openings. It is also noted that no discrepancies were found regarding the amounts of subcontracts and subcontractor bids.

Finding 3: Subcontractor Licenses

The District did not verify the licenses of subcontractors before they commenced work on the Discovery Oaks Elementary School Project.

Recommendation: The District should enhance procedures to document verification that subcontractors are appropriately licensed before they commence work on District facilities. Such verification should be documented in District records.

District Response:

The District contracted with a Construction Manager for this project. Utilizing this approach, the CM is legally and financially responsible for the performance of the subcontractors on the project. The CM is charged with the responsibility of bidding, selecting and contracting with the subcontractors. These responsibilities include ensuring that subcontractors have the required license, insurance and bonds. District staff deems this to be a contractual responsibility of the CM. Utilizing the CM at-risk concept, the District is currently not required by either state or local Board policy to do so. The district does receive the subcontractor license information from the CM on the project Building Permit Application. District procedures are being developed to ensure this information is verified by District personnel prior to issuance of the Permit. As the audit finding states, all of the subcontractors that were checked had the appropriate license.

Finding 4: General Conditions Costs

The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

Recommendation: The District should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs. In addition, GMP contracts should require CMEs to document the reasonableness of general conditions costs and the District should maintain records that evidence the receipt and review of sufficiently detailed documentation supporting the general conditions costs included in CME pay requests.

District Response:

The General Conditions are part of the GMP Proposal that is submitted by the Construction Manager (CM). During review of the GMP district staff evaluate the General Conditions against several common criteria such as, but not limited to:

- Project Schedule
- Location
- Complexity of the Work
- Staff dedicated to the project

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If necessary, district staff discusses/negotiates with the CM and comes to agreement prior to submitting the GMP to the School Board for approval. Questions or concerns with any part of the GMP are generally discussed over the phone or via email. Documentation of the approval of the General Conditions is inherent in the approval of the GMP. Once the Board has approved the GMP, it is the responsibility of the CM to execute the contract according to the conditions agreed upon. The district only pays one billing cycle per month. The General Conditions are approved in the GMP and billed monthly based on the progress of the work.

The district does not require the CM to provide documentation of expenses, such as CM payroll records or copies of CM paid invoices. It is their responsibility to execute the contract to the conditions and GMP that were agreed to in the Board approved contract. The District is currently not required by either state or local Board policy to do so.

The finding states "Absent effective negotiation of general conditions costs and monitoring of detailed documentation, such as CME payroll records or CME paid invoices, to support the amounts the CME requests from the District, the District may be limited in its ability to determine the propriety of CME pay requests for general conditions or to recover any cost savings associated with these costs." We feel that the general conditions and the GMP in whole were "effectively negotiated". For future CME GMP projects, the District is establishing procedures to ensure that documentation of the negotiation of general conditions costs is maintained, and that documentation supporting general conditions costs is monitored.

Finding 5: Health Insurance – Premiums and Participant Eligibility

The District did not obtain documentation to support the eligibility of all dependents enrolled in the District health insurance plan. In addition, the District had not established procedures to document periodic verifications to ensure that dependent participants in the plan remain eligible.

Recommendation: The District should require and ensure, upon enrollment of a dependent into the District health insurance plan, verification of applicable documentation such as birth or marriage certificates. The District should also establish documented, periodic verification procedures to ensure that dependent participants in the plan continue to be eligible. In addition, absent records supporting the eligibility of the 2 dependents participating in the District health insurance plan, insurance benefits for those dependents should be discontinued.

District Response:

The district will ensure a process to ensure periodic verification procedures are developed and followed. Such procedures will include the following:

1. Dependent verification audits of the medical plan will be completed through random sampling of employees including new hires and qualified life events (marriages, death, birth, etc.) to ensure dependent eligibility.
2. Dependent verification request is now handled through a new web enrollment system. The system, BenefitFocus, sends a communication to the employee's work or home email, whichever the employees has assigned as their preference in the system, the following notices regarding the dependent eligibility verification process:
 - Initial Notice with dependent eligibility and documents requested

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- A 2nd Notice is sent if no response from initial Notice
 - If the dependent is found as a non-eligible dependent then they will be cancelled.
3. During the School year, when an employee request a qualified life event/midyear change if dependents are added, the District request the required documentation to meet the dependent qualifications along with the documentation to satisfy HIPAA and the IRS Tax Code Section 125.

Finding 6: Florida Best and Brightest Teacher Scholarships

The District disbursed Florida Best and Brightest Teacher Scholarship Program awards totaling \$31,200 to 22 prekindergarten teachers who did not meet the statutory definition of a “classroom teacher” and, therefore, were ineligible for the awards.

Recommendation: The District should enhance procedures to ensure that scholarships are only awarded to eligible recipients who meet the classroom teacher statutory definition. In addition, the District should refund the FDOE for the awards totaling \$31,200 paid to ineligible scholarship recipients and take appropriate actions to recover from those recipients the improper payments.

District Response:

The District received a preliminary and tentative audit finding from the Florida Auditor General on December 11, 2018. The District is submitting a rebuttal for Finding 6: Florida Best and Brightest Teacher Scholarships. This preliminary and tentative audit finding stated that the District distributed \$31,200 to 22 scholarship recipients who were pre-kindergarten teachers who do not meet the statutory definition of a classroom teacher. The District disagrees with this finding.

Districts must determine eligibility of employees, according to statute, for the scholarship program. Clay County School District has found the cited teachers to qualify as Exceptional Education Teachers who instruct pre-kindergarten students assigned to special pre-kindergarten programs. The majority of students enrolled in each of the cited teachers' classes qualify under F.S.1002.66 - Specialized Instructional Services for children with disabilities and have Individualized Educational Plans (IEP). These students qualify under Rule 6A-6.03027 - Special Programs for Children 3 through 5 years old who are developmentally delayed or are diagnosed with another disability. Once an eligibility staffing committee makes a determination that a developmental delay (or other disability) exists and that exceptional student services are needed, the child qualifies for, and is assigned to, a special pre-kindergarten program and is provided an Individualized Education Plan. This special program, and the student's IEP, requires the determined specialized instruction be delivered by a Florida certified teacher. Clay County School District has determined this federal requirement, as determined by the IEP, labels the teacher as an Exceptional Student Education instructor.

The District's elementary pre-kindergarten program is monitored by the District's Exceptional Student division. Monitoring ensures compliance with all students' Individual Education Plans. Students enrolled in the District's elementary pre-kindergarten program are full day students. The teachers are full-time teachers who work 7.5 hours a day providing the specialized instruction required by each student's IEP. Students in this program earn FTE based on the services received.

The District's teachers are instructing students assigned to a special prekindergarten program as determined by their IEP. Florida Statute 402.302 states Public school and their integral programs are not

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included as a "child care facility". This exception is provided by F.S. 402.3025 where it defines Public Schools. 402.3025(1)2. states "Programs for children who are at least 3 years of age, but who are under 5 years of age, provided the programs are operated and staffed directly by the schools and provided the programs meet age-appropriate standards as adopted by the State Board of Education" are NOT deemed to be child care facilities. This definition defines the District's elementary pre-kindergarten programs and these programs are staffed by fully certified, in-field Florida teachers who instruct under a Florida Exceptional Student Education course code number (7650130). This course requires instructors to hold a Florida teaching certificate. This definition, stating programs for children who are 3-5 years of age, requiring standards approved by the State Board of Education places these teachers under the umbrella of "K" in the "K-12" component of Instructional Personnel definition. The course number used to meet the IEP standards (7650130) is listed in the Florida Exceptional Course Code directory, placing this course under the umbrella K-12.

The District has requested, on two separate occasions, clarification from FDOE concerning the definition of "K-12 Instructional Personnel". Both responses from FDOE provided no assistance on this determination. FDOE stated the District should review the law (section 1012.731) and if further assistance is needed, to reach out to the District's legal counsel for an interpretation of the law. Florida Statute 1012.731(2) designates FDOE as the administrator of the Florida Best and Brightest Teacher Scholarship Program. This designation requires FDOE to provide program administration guidance. The District has not received guidance for questions concerning clarification of statute definitions of classroom teacher. The District has researched statute, has sought legal counsel, and counsel from FDOE. Based upon all information gathered, the District strongly deems that all teachers who were submitted to FDOE for the Best and Brightest Scholarship program meet all statutory requirements. The District deems the 22 scholarship recipients cited in the preliminary and tentative audit finding do meet the statutory definition of classroom teacher as they are Exceptional Student Education teachers providing specialized instruction for students who have been determined to have a disability placing these students in a special pre-kindergarten program.

Finding 7: Charter School Closure

District charter school closure monitoring efforts were not always documented and did not always ensure that audit reports were timely completed.

Recommendation: The District should ensure that charter school closures are appropriately monitored and that District monitoring efforts are documented. At a minimum, the District's charter school monitoring records should demonstrate that the District took appropriate actions to ensure that an independent audit would be completed as required by State law. Such actions should include:

- An annual review of charter school audit contracts to confirm that an independent audit was required to be completed within 30 days after the notice of a charter school closure.
- Increased communications with the charter school and the charter school auditor to ensure timely completion of required audits.

District Response:

The district will ensure that charter school closures are appropriately monitored and will ensure the appropriate closure steps are documented. In addition, the Business Affairs office took appropriate actions by communicating to the school on multiple occasions to obtain the independent audit report as

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required by State Law. The first communication was a verbal communication in July 2017 to the school requesting the end of year reports. The charter school Orange Park Performing Arts was non responsive to the request. During this time, communication was sent by the State Board of Education notifying the school and District staff regarding the closure of the school effective July 1, 2017. Upon this notification, the school then proceeded to submit back-to-back appeals to the State Board of Education and to the Department of Education to consider reversing the ruling but was ultimately unsuccessful. The appeals not only delayed the closure process, but also delayed any receipt of year-end financial reports as required by State law. On September 5, 2017, during the appeal process, the district made additional attempts via phone and emails to recover the end of year reports such as the audit report and the data needed for the annual cost report. Again, the school was non-communicative. On October 27, 2017 a communication vial email was sent to the Department of Education informing them of the school's non-compliance in submitting the audit report and the impact to the school district. A response was sent by the Department of Education on October 27, 2017 indicating that the pursuant to s.1002.45 (2) that the school is required to submit the audit report to the district. On November 7, 2017 a communication via email was sent directly to the Audit firm requesting a copy of the annual financial audit and this communication was also non-responsive. The school district made multiple attempts to obtain a final audit report as required by contract, however, due to the closing of the school, the school did not complete the audit as required by State Law.

Finding 8: School Resource Officers Services

District controls over payments for school resource officer services need enhancement.

Recommendation: The District should establish procedures to require and ensure that SRO contracts set forth the required SRO service times. In addition, prior to payment, school personnel with direct knowledge of the SRO services should document satisfactory receipt of the services.

District Response:

The District has implemented procedures for review of services set forth by the contract as required prior to payment. This review includes, but is not limited to, cross-referencing invoices and timesheets with the site administrators and other supporting evidence with the Director of Operations responsible for Security.

Finding 9: Purchasing Cards

The District did not always timely cancel purchasing cards after cardholders separated from District employment.

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

District Response:

The district will continue efforts to ensure that P-card privileges are timely canceled upon the cardholder's separation from District employment. With the implementation of a new ERP system, we have since developed a process of creating a report with the listing all terminations within the district at any given time. The report will be generated on a weekly basis that will identify the employees who are terminated from the School district. Once identified and if they were approved to hold a P-card, a secure message will be sent immediately to the bank to cancel the card. This will then ensure that the card is cancelled in a timely fashion. In addition, a listing of cardholders is requested from the bank on the

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monthly basis and is verified against the employee master listing to ensure there are no unauthorized cardholders.

Finding 10: Information Technology User Access Privileges

Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

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

- Establish documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely remove any unnecessary access privileges detected. If an individual only requires occasional access to sensitive personal information, the privileges should be granted only for the time needed.
- Consult with the SIS provider regarding a District SIS upgrade to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.

District Response:

The district will develop a written process to track and review user access and privileges of short-term access. Current processes, procedures, and systems do not allow for quick and temp permission changes. We are currently moving, based on audit recommendations, to a new student information system (SIS) that will allow us to apply temporary permission changes. Additionally, we are moving our account creation process to an automated process with documented workflows and review periods to prevent or identify permission creep in long term employees. This and other account management processes and procedures are documented in the INFORMATION TECHNOLOGY IDENTITY ACCESS CONTROL AND MANAGEMENT policy. Permission reviews are set at employment changes for employees (department change or job title change), and annually for other account types.

https://docs.google.com/document/d/1wX3yAN_fqiaynHUF5TI4UmNjTTVfEkZPgJEieStRck/edit

Finding 11: Information Technology Timely Deactivation of User Access Privileges

The District did not timely remove the IT access privileges of some former employees.

Recommendation: The District should continue efforts to ensure that access privileges are promptly deactivated upon a user's separation from District employment.

District Response:

The District has incorporated automation into the account creation and deactivation process utilizing a process called OneSync which is tied directly between our Enterprise Resource Program (ERP) system and Active Directory (AD). This automation will create and disable accounts in accordance with the employee's employment status. Once an employee is terminated, all user permissions are terminated effective the effective date as keyed into the Human Resource (HR) portion of the ERP system. <https://drive.google.com/file/d/1uAbGqvspHAHN3DR8X19IN7buOqIRaomV/view>

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Finding 12: Information Technology – Risk Assessment

The District needs to develop a comprehensive, written IT risk assessment plan.

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

District Response:

Existing Risk Assessments located in the District Recovery Plan (DRP) and Incident Response Plan (IRP) have been consolidated into one Risk Matrix with Risk Scores, impacts and remediation steps. All risk remediation steps are documented in the DRP and IRP which are tested and validated every December and June. <https://docs.google.com/spreadsheets/d/1BGROXLC5xwJzxVLVRpf6O04SfOqdAKImKCnK-A8Y4CI/edit#gid=239174541>

Finding 13: Information Technology – Security Controls – User Authentication and Data Loss Prevention

District security controls related user authentication and data loss prevention continue to need improvement.

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

District Response:

Security controls have been implemented on the various systems in IT. The District has implemented certain security controls and will continue to improve security controls related to user authentication and data loss prevention.

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