

**MARION COUNTY
DISTRICT SCHOOL BOARD**

Operational Audit

For the Fiscal Year Ended
June 30, 2008



BOARD MEMBERS AND SUPERINTENDENT

District School Board members and the Superintendent who served during the 2007-08 fiscal year are listed below:

| | <i><u>District No.</u></i> |
|--|--------------------------------|
| <i>Judith Zanetti, Vice-Chair to 11-19-07, Chair from 11-20-07</i> | <i>1</i> |
| <i>Steven B. Hering</i> | <i>2</i> |
| <i>Bobby L. James, Vice-Chair from 11-20-07</i> | <i>3</i> |
| <i>Sue M. Mosley</i> | <i>4</i> |
| <i>Ronald B. Crawford, Chair to 11-19-07</i> | <i>5</i> |
| <i>James M. Yancey, Jr., Superintendent</i> | |

The audit team leader was Phil Ciano, CPA. For the information technology portion of this audit, the audit team leader was Stephanie Hogg, CISA, and the supervisor was Nancy Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other audit reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MARION COUNTY

District School Board

SUMMARY

Our operational audit for the fiscal year ended June 30, 2008, disclosed the following:

Finding No. 1: Enhancements could be made in the administration of guaranteed maximum price (GMP) construction contracts.

Finding No. 2: Improvements could be made to ensure that expenditures for GMP contracts are adequately supported before payments are made.

Finding No. 3: Approximately 150 relocatable facilities were not connected with covered accessible walkways to core facilities, and a transition plan was not available to provide for covering walkways, contrary to the *State Requirements for Educational Facilities – 2007*.

Finding No. 4: The District did not timely conduct a review and evaluation of the collection of social security numbers or provide a written statement to individuals stating the purpose for collection of the numbers, contrary to Section 119.071(5)(a), Florida Statutes.

Finding No. 5: The District's information technology program change controls needed improvement.

Finding No. 6: Certain information technology security, environmental, and continuity controls needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising the District's data and information technology resources.

BACKGROUND

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

During the audit period, the District operated 59 elementary, middle, high, and specialized schools; sponsored 2 charter schools; and reported 41,668 unweighted full-time equivalent students.

The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2008, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding No. 1: Construction Contracting

Pursuant to Section 1013.45(1), Florida Statutes, a school district may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, the CME is responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project.

We reviewed the District's administration of guaranteed maximum price (GMP) contracts, totaling approximately \$34 million and \$29.5 million, respectively, for the Horizon Academy at Marion Oaks project and the Lake Weir High

School additions, remodeling and renovations project. The District entered into contracts for the Horizon Academy and Lake Weir projects in February 2006 and April 2007, respectively, and had expenditures for these two projects totaling approximately \$9 million and \$7.8 million, respectively, during the 2007-08 fiscal year.

Under GMP contracts, the District may realize cost savings if the cost of construction is less than the GMP. As such, a GMP contract requires District personnel to closely monitor construction costs. Our review disclosed that the District could enhance its controls over construction contracting, as discussed below:

- **Indirect Salary Costs - Labor Burden.** The contracts contain provisions for the District to compensate the CME for personnel costs, including an indirect salary cost element commonly referred to as the labor burden. Components of the labor burden typically include social security and Medicare taxes; unemployment taxes; medical insurance; workers' compensation; and may additionally include various company paid benefits, such as vacation and sick leave pay, depending on the method chosen to recover those benefits.

The United States Department of Labor, Bureau of Labor Statistics (BLS) periodically publishes employer rates for employee compensation for various occupational or industry groups, including private industry construction employers. Our review of the BLS labor rates at the time the District negotiated the Horizon Academy and Lake Weir contracts disclosed rates of 35.49 percent and 29.44 percent, respectively; however, the contracts provided for rates of 50 percent and 41.45 percent, respectively. As a result, labor burden costs of the contracts exceeded costs based on the BLS rates by approximately \$103,300 and \$93,400, respectively. Although requested, District staff did not provide documentation to evidence that the District considered the reasonableness of the components of the labor burden rates included in the CME contracts. Without proper consideration of the labor burden costs during the GMP contracting process, such costs to the District may exceed the actual costs incurred by the CMEs.

- **Subcontractor Bid Process.** The contracts required the CMEs to develop subcontractor interest in the projects, conduct prebid conferences, take competitive bids, prepare a bid tabulation analysis for review with the District and the architect, and prepare written recommendations to the District for the award of the subcontracts. Facilities Department personnel indicated they participated in the CMEs' subcontractor bid openings and tabulations of bid information; however, District records, such as bid tabulations, were not signed and dated by District personnel to document their involvement in this process. Facilities Department personnel attendance involvement in this process, and documentation thereof, decreases the risk that the subcontractor selection process may be compromised.

Effectively negotiating and documenting the reasonableness of labor burden costs and subcontractor bids are essential to ensuring that potential cost savings are realized under GMP contracts.

We also noted that, while the Facilities Department maintains a manual which provides guidance for construction planning, the acquisition of property and site selection, professional services procurement, and other construction-type processes, the District did not have written procedures directing District staff to document the reasonableness of indirect salary cost rates negotiated during the CME contracting process, or to document the verification of the CME's subcontractor selection process. The lack of established procedures addressing these issues may have contributed to the control deficiencies discussed above.

Recommendation: The District should establish procedures for ensuring the reasonableness of labor burden rates included in GMP contracts, and documenting the District's involvement in the CME's subcontractor selection process.

Finding No. 2: Construction Expenditures

As discussed in Finding No. 1, we reviewed the District's contracting process over the Horizon Academy and Lake Weir projects. Additionally, we reviewed the District's procedures for determining whether construction expenditures

for those projects were adequately supported. Our review disclosed that enhancements could be made in verifying amounts paid for general requirement scheduled costs and amounts paid for subcontractors, as described below.

For the Horizon Academy and Lake Weir projects, general requirement scheduled costs totaled approximately \$2.4 million and \$1.8 million, respectively, and general requirement expenditures during the 2007-08 fiscal year totaled approximately \$709,900 and \$465,600, respectively. These costs included direct and indirect labor costs for CME staff, such as project managers and superintendents, and other costs, such as cleaning, communications, and utilities. However, District records did not always evidence adequate support for these expenditures, as follows:

- Although requested, documentation was not provided to evidence that the District verified that these costs were supported by documentation such as payroll warrant registers for labor costs and vendor invoices for payment and performance bonds, office equipment, communication, and utility costs.
- As part of the labor burden costs for the Horizon Academy project, the District paid monthly travel allowances to the CME for company-supplied vehicle expenses; however, the District also paid separate charges for project manager vehicle-related expenses, totaling \$24,859 over the life of the project. Subsequent to our inquiry in May 2008, the District obtained reimbursement for \$24,859 from the CME for the duplicate costs charged to the District.
- The CME for the Horizon Academy project overcharged the District on certain monthly pay requests for the labor burden on the management fee, and District procedures were not in place to detect the overcharges. The CME eventually identified the accounting error, resulting in a cumulative overcharge of \$92,937 to the District. Subsequently, in August 2007, the CME reduced the District's billings to compensate the District for the overcharges.

Further, the District did not document that it adequately monitored amounts paid to the CMEs for subcontractors on these two projects, as follows:

- Although the contracts indicated that the CMEs would, upon request, provide copies of the subcontractor contracts to the District, the District did not obtain subcontracts or utilize bid tabulations to monitor CME billings for subcontractor costs.
- Subcontractor bid amounts in the District's records, in some instances, did not agree with the amounts included in the CME's applications for payment and District records were not initially available to account for the differences. For example, District records disclosed that the bid package for general works on the Lake Weir project had a subcontractor original bid of \$2,689,000; however, the latest bid tabulation/GMP contract amount was \$2,588,700, and the initial application for payment showed \$2,634,500. Although requested, District records did not initially contain evidence to reconcile the differences in these documents. Subsequent to our inquiry in March 2008, the CME provided documentation to explain the differences.

Proper documentation to support amounts charged for general requirement scheduled costs and subcontractors is necessary to evidence that amounts paid are valid expenditures of the District and serve a valid public purpose. A contributing factor in the control deficiencies described above was the absence of written procedures to provide guidance for reviewing and verifying supporting documentation for payments to CMEs. District staff did, however, indicate that the Facilities Department would establish guidelines for reviewers in the construction office.

Recommendation: **The District should continue its efforts to establish guidelines and implement procedures for the review and verification of documentation supporting payments to CMEs.**

Finding No. 3: Relocatable Facilities

Section 1013.20(1), Florida Statutes, and Section 5(14)(b)3.a., of the Florida Department of Education's publication, *State Requirements for Educational Facilities – 2007 (SREF)*, require that relocatable facilities which are used by students at

a school site for four years or more be connected to the core facilities by covered accessible walkways or, where cost precludes compliance, that a transition plan be included in the Board's 5-year district facilities work program.

Audit inquiry and District records indicate that the District maintains approximately 560 relocatable facilities. However, District staff indicated that approximately 150 of the relocatables that are being used as classrooms have been at schools four years or more and lack a covered walkway from the relocatable to a core facility building. Further, our review disclosed that the 5-year district facilities work program did not include a transition plan for covered walkways, contrary to *SREF* requirements.

District staff indicated that the District initially planned to drastically reduce the number of relocatable facilities on school sites and avoid the covered walkway costs; however, because of State class size reduction requirements, it continued to use these relocatables for classroom purposes and did not provide for the walkways. District staff further noted that building wings are being constructed at 10 elementary schools to replace relocatable classrooms and that efforts are being made to meet *SREF* relocatable building requirements.

Recommendation: **The District should provide for covered walkways from relocatable facilities used for classroom purposes to core facilities, or include a transition plan for the walkways in its 5-year facilities work program.**

Finding No. 4: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Effective October 1, 2007, Section 119.071(5)(a), Florida Statutes, as amended by Chapter 2007-251, Laws of Florida, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so or imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that as the District collects an individual's SSN, it must provide the individual with a copy of the written statement indicating the purpose for collecting the number. Further, the section provides that SSNs collected by the District may not be used by the District for any purpose other than the purpose provided in the written statement. This section also requires that the District review whether its collection of SSNs is in compliance with the above requirements; immediately discontinue the collection of SSNs for purposes that are not in compliance; and certify to the President of the Senate and the Speaker of the House of Representatives its compliance with these requirements no later than January 31, 2008. Further, by this date, the District was required to file a report with the Executive Office of the Governor, the President of the Senate, and the Speaker of the House of Representatives listing the identity of all commercial entities that have requested SSNs during the preceding calendar year and the specific purposes stated by each commercial entity regarding its need for SSNs. If no disclosure requests were made, the District was required to so indicate.

As of June 30, 2008, the District requires applicants for employment to provide their SSN on employment applications; however, a statement, in writing, regarding why the applicant's SSN was requested was not provided to the applicant. SSNs were also requested for students from their parents or legal guardian when completing certain forms such as enrollment applications; however, a statement, in writing, regarding why the

student's SSN was requested was not provided to the parent or legal guardian. Additionally, the District did not certify to the Legislature that it complied with Section 119.071(5)(a), Florida Statutes, or report to the Governor and Legislature the identity of all commercial entities that requested SSNs during the preceding calendar year. Effective controls to properly monitor the need for and use of SSNs and ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

Recommendation: **The District should take appropriate action to ensure compliance with Section 119.071(5)(a), Florida Statutes. Such action should include an evaluation of the reasons the District collects social security numbers from individuals. In those instances in which the District determines that collection of the social security numbers is not imperative for performance of its duties and responsibilities, the District should discontinue obtaining such numbers.**

Finding No. 5: Information Technology – Program Change Controls

Effective controls over changes to application programs are intended to ensure that only authorized and properly functioning changes are implemented. Program change controls include procedures to ensure that all changes are properly authorized, tested, and approved for implementation. Program change controls that are typically employed to ensure the continued integrity of application systems include maintaining written evidence of the program change control process, thorough testing and approving of changes by a person or group independent of the individual making the changes, and separating the responsibility for moving approved changes into the production environment from persons who developed the changes.

As similarly noted in our report No. 2006-198, our audit disclosed that District program change controls needed improvement in the following areas:

- Although application program change requests were documented, the documentation did not record details as to the programmer who coded the individual change; the programmer or analyst who tested the change; user acceptance of the change, where applicable; management approval for the implementation of the change; or the person who implemented the change. The lack of a complete record of the work and approval flow associated with individual program changes may limit management's ability to monitor the program change process and detect departures from appropriate program change controls, should they occur.
- The movement of program changes to production was not always performed by personnel other than the programmers responsible for making the program changes. Allowing the same person to create or change a program and move the program to production increases the risk that unauthorized or erroneous programs will be implemented without timely detection.
- District management had not established written policies and procedures governing the change control process for application programs and data, including emergency application changes. Absent written policies and procedures, the risk is increased that management's expectations regarding program change controls will not be clearly understood or consistently followed by programming staff.

Recommendation: **The District should document who changed, tested, approved, and moved programs to production and ensure that an appropriate separation of duties exists regarding the movement of programs to production. In addition, the District should establish written policies and procedures to govern the program change control process.**

Finding No. 6: Information Technology - Security, Environmental, and Continuity Controls

Security, environmental, and continuity controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security, environmental, and continuity controls 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, environmental, and continuity controls, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction. Similar findings were also noted in our report No. 2006-198.

Recommendation: **The District should implement appropriate security, environmental, and continuity controls to ensure the continued confidentiality, integrity, and availability of District data and IT resources.**

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2006-198.

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

The objectives of this operational audit were to: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in our report No. 2006-198. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2007-08 fiscal year.

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

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|--|
| Security awareness and training program regarding the confidentiality of information. | Examined supporting documentation relating to the District's information technology security awareness and training program. |
| Procedures to timely prohibit terminated employees' access to electronic data files. | Sampled employees who terminated during the audit period and examined supporting documentation evidencing when the District terminated access privileges. |
| Procedures to safeguard information technology (IT) resources. | Reviewed system documentation and procedures, and observed IT system use capabilities to evaluate whether the District's IT safeguards were effective. |
| Procedures for monitoring charter schools pursuant to Section 1002.33(5)(b), Florida Statutes. | Interviewed District personnel and examined supporting documentation to determine if the District effectively monitored selected operations and performance measures of its charter schools, including evidence of required insurance. |
| Fraud policy and related procedures. | Examined written policies and procedures, and examined supporting documentation relating to the District's fraud policy and related procedures. |
| Sunshine Law requirements for Board meetings (i.e., proper notice of meetings, ready access to public, maintain minutes). | Read Board minutes and, for selected Board meetings, examined supporting documentation evidencing compliance with Sunshine Law requirements. |
| Financial condition. | Applied analytical procedures to determine whether General Fund unreserved fund balance at June 30, 2008, was less than 2.5 percent of General Fund revenues. |
| Restrictions on use of nonvoted capital outlay tax proceeds. | Applied analytical procedures, selected a sample of payments made from nonvoted capital outlay proceeds and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay proceeds. |
| Restrictions on use of Workforce Development funds. | Applied analytical procedures to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs). |
| Adult general education program enrollment reporting. | Selected a sample of adult education students and examined supporting documentation to determine whether the District reported instructional and contact hours in accordance with FDOE requirements. |
| Social security number requirements of Section 119.071(5)(a), Florida Statutes. | Examined supporting documentation to determine whether the District provided individuals with a written statement as to the purpose of collecting social security numbers, certified compliance pursuant to Section 119.071(5)(a)4.b., Florida Statutes, and filed the required report specified by Section 119.071(5)(a)9.a., Florida Statutes, no later than January 31, 2008. |
| Procurement policies and procedures. | Selected a sample of significant dollar purchases and examined supporting documentation to determine compliance with bid requirements. Also, performed analytical procedures to determine whether purchases were split to bypass bid requirements. |

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

| Scope (Topic) | Methodology |
|--|---|
| Procedures for issuing diplomas. | Reviewed District procedures for ordering, safeguarding and distributing diplomas to eligible students. |
| Procedures for adopting and amending the budget. | Examined supporting documentation to determine whether budgets and amendments to budgets were prepared and adopted in accordance with applicable Florida Statutes, and State Board of Education Rules. |
| Cash collection procedures at District-operated after school programs. | Reviewed collection procedures at selected locations and tested daily cash collections to determine the effectiveness of the District's collection procedures. |
| Requirements for fingerprinting and background checks for personnel that had direct contact with students. | Selected a sample of District employees and contractual personnel who had direct contact with students and examined supporting documentation to determine whether the District had obtained required fingerprint and background checks for the individuals. |
| Construction projects. | Reviewed administration of guaranteed maximum price contracts, including procedures to verify insurance, reasonableness of labor burden costs, the subcontractor selection process, and the expenditure process. |
| Annual inspections of educational facilities. | Examined a sample of annual firesafety and sanitation/casualty safety inspection reports and supporting documentation to determine whether the District timely resolved noted deficiencies. |
| Annual inspections of relocatable facilities. | Reviewed facilities inspection procedures and reports, and compliance with Section 1013.20, Florida Statutes, and State Requirements for Educational Facilities. |
| Procedures for insuring buildings. | Determined, on a test basis, whether insurance coverage was updated for major asset acquisitions or disposals occurring in the audit period. |
| Newly hired employees. | Sampled newly hired employees to determine whether required background checks were performed and whether employees met minimum education and experience qualifications. |
| School bus drivers' driving records. | Sampled school bus drivers to determine whether drivers met the Board policy minimum licensing and driving record requirements. |
| Procedures for monitoring cellular telephone usage. | Reviewed monitoring procedures to determine whether cellular telephone usage was limited to business purposes pursuant to Board policy. |

EXHIBIT B
MANAGEMENT'S RESPONSE



**Marion County
Public Schools**

Where Every Child Can Learn

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October 22, 2008

Superintendent
Mr. James M. Yancey, Jr.

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Mrs. Judith Zanetti
2927 SE 22nd Avenue
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13700 SE 45th Court
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SUBJECT: Responses to Preliminary and Tentative Audit Findings
Of the Marion County District School Board Operational
Audit for the Period July 1, 2007 through June 30, 2008

Dear Mr. Martin:

The following are our responses to the preliminary and tentative audit findings and recommendations for the fiscal year ended June 2008.

Finding No. 1: Construction Contracting

Indirect Salary Costs – Labor Burden

Although not documented, the labor burden rates were discussed with both companies during negotiations. The rates were set at a time when we believe the Marion County construction market was not reflective of the national market. Florida's construction market, including Marion County, was in an aggressive position, especially in February 2006. The National Rates were not used as a part of negotiations. However, we appreciate the additional resource to help the District's negotiating position to achieve the best possible price, and will use published rates to build our case. Also, we will ensure that the final negotiated rate is supported with appropriate documentation and the draw request contains the appropriate support before payment is issued. Written procedures will be developed and implemented to support this process.

Subcontractor Bid Process

It is the practice of the Facilities Department to have someone present, when at all possible, for any subcontractor bid openings. Both of the projects noted had District staff monitor and review the subcontractor bid openings. Limited resources in the District constrain our ability to be on every job site as much as we would desire. We do understand the value of documenting our participation in the bid reviews, and as such, written procedures will be developed and implemented to support this process.

~Equal Opportunity Schools~

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 2: Construction Expenditures

The District will establish guidelines and implement procedures for the review and verification of documentation supporting payments to Construction Managers. However, we are not sure that the current level or expertise of staff within the department can successfully implement these procedures. The District will review and present alternatives of hiring staff or contracting services to support a new procedure.

Finding No. 3: Relocatable Facilities

Although the FY 2007-2008 to FY 2011-2012 Work Program does not address a transition plan, the FY 2008-2009 to FY 2012-2013 Work Program contains the statement that "the District is planning to dispose of portables not meeting classroom standards and therefore will not have a need to erect additional permanent covered walkways to the District's various portables." In addition to this statement, the District will be more precise in future Work Programs as to which relocatable facilities will need to be addressed.

Finding No. 4: Collection of Social Security Numbers

The District will take appropriate action to ensure compliance with Section 119.071(5) (a), Florida Statutes. An evaluation has been completed of the District's reasons for collecting Social Security Numbers from individuals. Where warranted, the collection of Social Security Numbers has been replaced with the recently implemented Employee Identification Number. A policy has been drafted on the use of Social Security Numbers and is scheduled for School Board submission in mid November, along with proposed revisions to a number of other School Board policies. In addition, the Human Resources Department is in the process of revising several electronic documents by adding a statement regarding the reasons for and the anticipated use of an individual's Social Security Number. We currently anticipate that the revisions to these electronic documents will be completed by the end of the current calendar year and we will apprise the appropriate State Officials in writing at the completion of this initiative.

Finding No. 5: Information Technology

In an effort to ensure all changes are properly authorized, tested, and approved for implementation, Technology and Information Systems will create a guideline/application interface that will provide written evidence of the program change control process, thorough testing, and approving of changes by appropriate personnel. When possible, we will utilize a process that will provide us the opportunity to utilize a different staff member to approve and implement the change into our production environment.

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Application Interface will include:

1. Documentation of the change
2. Provide the programmer, analyst, or specialist who "coded" the change
3. Provide the programmer, analyst, or specialist who tested the change
4. Provide the user(s) who "accepted" the change
5. When applicable, the management approval for the implementation of the change

This interface will include the "process" for emergency application changes.

We will target February 1, 2009 for this interface to be implemented.

Finding Number 6: Information Technology - Security, Environmental, and Continuity Controls

A written guideline will be developed that addresses "allowable" outage times for critical applications prior to "activating" the alternate Disaster Recovery (DR) Site. This document will also include assigned responsibilities for the Recovery Team, supplies needed, forms and necessary support items/equipment needed at the DR site location. The site is now operational (September 2008) to include an active security alarm and monitoring by MCPS staff members. The DR site has a scheduled "test" cutover for December 2008.

We appreciate the opportunity to respond to these findings.

Sincerely,



Mr. James M. Yancey, Jr.
Superintendent
Marion County Public Schools

