

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-056
November 2016

**WASHINGTON COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2015-16 fiscal year, Herbert J. Taylor served as Superintendent of the Washington County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Vann Brock, Vice Chair	1
Wayne C. Saunders	2
Milton L. Brown, Chair	3
Terry Ellis	4
Susan G. Roberts	5

The team leader was Pamela L. Corbin, CPA, and the audit was supervised by Shelly G. Curti, CPA.

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WASHINGTON COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Washington County School District (District) focused on selected District processes and administrative activities and included a follow-up on certain findings noted in our report No. 2016-122. Our operational audit disclosed the following:

Finding 1: Required background screenings were not always performed for applicable instructional and noninstructional employees.

Finding 2: The District's career center, the Florida Panhandle Technical College, did not properly inform students and employees about sexual predator and sexual offender public information.

Finding 3: District records did not demonstrate supervisory review and approval of time recorded as worked by administrative office staff and school principals or school principal leave request forms.

Finding 4: The District did not always compensate employees in accordance with Board-adopted salary schedules and Board policies.

Finding 5: The District did not confirm, prior to payment for custodial services, that the services were satisfactorily received and met the hours of work and daily staffing level contract requirements.

Finding 6: The District did not timely and prominently post on its Web site the required official budget information for the 2015-16 fiscal year as prescribed by State law.

Finding 7: District controls over the virtual instruction program operations and related activities continue to need enhancement.

Finding 8: Controls over the Gateway Educational Computing Consultants' contract with a third party provider for school system management software need improvement.

Finding 9: District security controls related to user authentication, data loss prevention, and management of information technology (IT) access privileges could be enhanced.

Finding 10: The District's IT disaster recovery plan was not up to date, increasing the risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations.

BACKGROUND

The Washington 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 Washington County. The governing body of the District is the Washington 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 2015-16 fiscal year, the District operated 9 elementary, middle, high, and specialized schools and reported 3,376 unweighted full-time equivalent students. The District is a member and serves as fiscal agent for the Panhandle Area Educational Consortium.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2016-122. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2016, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Background Screenings

State law¹ requires that each person hired or contracted to serve in an instructional or noninstructional capacity that requires direct contact with students to undergo a level 2 background screening² at least once every 5 years. To promote compliance with the statutory background screening requirements, District procedures require employees who have access to school grounds or school funds to undergo required background screenings.

During the 2015-16 fiscal year, the District employed 526 instructional and 316 noninstructional personnel. To determine whether required background screenings had been performed, we requested for examination District records, as of July 2016, for 60 selected employees³ and found that:

- For 19 employees, the required background screenings had not been performed at least once in the past 5 years. According to District personnel, required screenings were obtained for employees initially screened 5 years ago but, inadvertently, the District did not obtain screenings for employees initially screened more than 5 years ago and due for their second 5-year period screening. Subsequent to our inquiries, District personnel obtained level 2 background screenings in July 2016 for the 19 employees and noted no inappropriate backgrounds. However, the dates of the background screenings ranged from 100 to 105 days after the applicable 5-year period had elapsed.
- For 1 employee, District personnel could not provide evidence of the initial or subsequently required background screenings. In response to our inquiries, District personnel indicated that another school district screened the employee and should have entered the information in the Florida Department of Law Enforcement (FDLE) database but the record was not there. As of January 2016, the District no longer employed this individual.

Absent effective controls to ensure that required background screenings are performed, there is an increased risk that employees with unsuitable backgrounds may have direct contact with students or access to school funds.

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

¹ Sections 1012.32, 1012.56(10), 1012.465, and 1012.467, Florida Statutes.

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

³ The 60 selected individuals included 35 instructional personnel and 25 noninstructional personnel.

Finding 2: Florida Department of Law Enforcement Sexual Predator and Sexual Offender Registry Notification

State law⁴ requires each career center to inform students and employees at orientation and on the career center's Web site of the existence of the FDLE sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information. According to District personnel and our review of District records for the 2015-16 fiscal year, the District's career center, the Florida Panhandle Technical College (FPTC), did not inform its students or employees of the FDLE's sexual predator and sexual offender registry Web site or toll-free number at orientation, nor was the information posted on the FPTC Web site.

In response to our inquiries, FPTC personnel indicated that they were unaware of the statutory requirement and, as a result, the information was not made available to students and employees. Subsequent to our inquiries, as of September 2016, the Board approved and District personnel posted on the FPTC Web site an addition to the 2016-17 Student Catalog and Handbook that included the required information regarding the FDLE's registered sexual predator and sexual offender registry Web site and toll-free number. In addition, FPTC personnel indicated that this information was distributed to students with other required campus safety and security documents on the first day of fall classes in August 2016. Without proper notification of the FDLE's sexual predator and sexual offender registry Web site and toll-free number, students and employees may be unaware of the sexual predators and sexual offenders who may be on campus.

Recommendation: The District should continue efforts to ensure that the FPTC informs students and employees of the FDLE's sexual predator and sexual offender registry Web site and toll-free number at orientation and on the FPTC Web site.

Finding 3: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. Board policies⁵ require that payrolls be signed by a designated administrative employee and supported by time records.

The District pays noninstructional personnel (e.g., administrative office staff, school principals, and other clerical and support staff) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll action to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period. According to District personnel, time records (time sheets), documenting time worked and leave taken, and leave request forms are submitted to the Payroll Department for consideration in processing related salary payments.

During the 2015-16 fiscal year, the District had 22 District administrative office staff (e.g., directors, secretaries, and clerks) compensated a total of \$976,010 and 8 school principals compensated a total of \$760,846. According to our review of District records and discussions with District personnel, the District

⁴ Section 1006.695, Florida Statutes.

⁵ Board Policy 7.51, *Payroll Procedures*.

maintained time sheets and leave forms for administrative office staff and school principals and supervisory review and approval of administrative office staff leave forms was documented. However, supervisory review and approval was not documented for time recorded as worked by administrative office staff and school principals or for leave taken by school principals.

In response to our inquiries, District personnel indicated that the lack of documented supervisory review and approval was due to an oversight and that, in the future, the review and approval will be appropriately documented. Without documented review and approval, there is limited assurance that administrative office staff and school principal personnel services were provided consistent with Board expectations and the risk that administrative office staff and school principals may be incorrectly compensated and their leave balances may not be accurate is increased.

Recommendation: The District should ensure that supervisory review and approval is documented for time recorded as worked by administrative office staff and school principals and for school principal leave request forms.

Finding 4: Employee Compensation

Board policies⁶ require all personnel to be paid in accordance with Board-adopted salary schedules and establish the years of service requirements for consideration in determining employee compensation. For compensation purposes, the Board grants noninstructional employees a maximum of 5 years for all similar experience verified from previous employers. In addition, State law⁷ allows employees to receive salary supplements for additional responsibilities.

For the period July 2015 to March 2016, the District compensated 791 employees a total of \$17.2 million. As part of our audit, we examined District records supporting compensation payments totaling \$42,068 made to 30 employees for this period. We found that, for one noninstructional employee tested, the District documented verification of the employee's 5 years of similar experience from previous employers and documented 17 years of District experience before the 2015-16 fiscal year. However, the District paid the employee for the 2015-16 fiscal year based only on the 17 years of District experience. In response to our inquiries, District personnel indicated that, based on their research, the District inadvertently excluded the 5 years of similar experience from the employee's salary calculation beginning on July 1, 1998, and for subsequent years thereafter.

Subsequent to our inquiries, in June 2016, the District corrected the employee's compensation for the 2015-16 fiscal year salary by remitting the employee a \$497 payment. In addition, District personnel determined that the remaining amount due the employee for underpayments related to services provided in previous fiscal years totaled \$28,467, and the District and employee agreed to a 3-year payment plan.

We expanded our tests and examined:

- District records supporting compensation payments totaling \$31,807 for 30 selected new hires and found that the District properly compensated these 30 employees based on their verified years of experience in accordance with Board policies.

⁶ Board Policy 6.13, *Years of Service Defined for Personnel*, and 6.91, *Salary Schedules*.

⁷ Section 1012.22(1)(c)5c, Florida Statutes.

- District records supporting 12 additional compensation payments totaling \$84,416 and found that a middle school vice principal, upon employment separation in March 2016, had fulfilled 135 of 196 days required by the 2015-16 fiscal year contract. However, the District did not properly allocate the individual's middle school vice principal supplement for additional responsibilities during the work period, resulting in a \$1,911 underpayment. In response to our inquiries, District personnel indicated that the underpayment amount resulted from an oversight; however, as of September 2016, the amount had not been paid to the individual.
- District records supporting 45 supplement payments totaling \$65,686 for 24 selected employees to determine whether the District properly paid staff supplements. We found that a high school weightlifting coach, entitled to a \$2,168 supplement for the 2015-16 fiscal year, was only paid \$1,301 for additional coaching responsibilities. District personnel indicated that the monthly supplement allocated payment was erroneously removed from the employee's compensation in December 2015, resulting in the \$867 underpayment. Subsequent to our inquiry, in July 2016, the District paid the remaining supplement amount to the employee.

Compensation payments, including payments for work experience and additional responsibilities, made in accordance with Board-adopted salary schedules and Board policies ensure that District employees are compensated consistent with Board intent.

Recommendation: The District should enhance procedures to ensure that compensation payments, including payments for work experience and additional responsibilities, are made pursuant to Board-adopted salary schedules and Board policy. We also recommend that the District promptly remit the \$1,911 salary supplement underpayment to the former vice principal.

Finding 5: Contractual Services

Effective contract management ensures that contract provisions establish required services and related service times and satisfactory receipt of contracted services before payment. The Board routinely enters into contracts for services, and District controls have been designed and implemented to generally ensure payments are consistent with contract terms and conditions. For the 2015-16 fiscal year, contractual service payments totaled \$2.4 million and, to determine the propriety of these payments, we examined District records supporting 12 selected payments totaling \$661,872 related to eight contracts. While District controls over contractual services and related payments were generally adequate, we found that payments related to a custodial service contract could be enhanced.

During the 2015-16 fiscal year, the District made payments totaling \$603,792 pursuant to the custodial services contract to provide services at eight schools and the District administrative offices. The contract specified, among other things, that custodial services would be provided for a total of 960 hours per week during the student school calendar period and an average of 784 hours per week for the 12-month period. The contract also required the contractor to maintain 95 percent of the required staffing and to submit daily staffing level documentation with the monthly invoice. The contract further allowed the District to impose liquidated damages if the contractor continually failed to meet required staffing levels, performed in a sub-par manner as determined by District personnel monthly walkthroughs (documented on monthly report cards), failed to provide and maintain the appropriate equipment, or did not comply with other contract provisions.

As part of our audit, we examined selected monthly report cards that indicated satisfactory receipt of the custodial services. However, although we requested, District records could not be provided to demonstrate that personnel with direct knowledge of the services confirmed that the custodial staff worked the contract-required number of hours per week or that the contractor met the daily staffing level requirements. In response to our inquiries, District personnel indicated that the District relied on the monthly report cards completed by District personnel assigned at each location to determine whether the daily staffing levels were met. However, neither the monthly report cards nor other District records documented the hours custodial staff worked or the daily staffing levels. Our examination of District records further disclosed that the custodial service company invoiced the District on the first day of each month for that month's services and District personnel, responsible for the payments, paid for the services before services were fully rendered and without documented review of the monthly report cards.

Absent effective procedures that require, prior to payment, documented confirmation that custodial services were satisfactorily received and complied with the hours of work and daily staffing level contract requirements, the risk is increased that overpayments may occur, liquidated damages may not be appropriately assessed, and the services provided may not be consistent with Board expectations.

Recommendation: The District should establish procedures requiring, prior to the payment for custodial services, documented confirmation that the services were satisfactorily received and complied with the contract requirements. If the services were not satisfactory, or did not fully comply with contract requirements, the District should assess appropriate liquidated damages.

Finding 6: Budget Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,⁸ the District must post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public. The information must be prominently posted on the District's Web site in a manner that is readily accessible.

At the time of our review in May 2016, the District had not prominently posted on its Web site the Board-adopted official budget for the 2015-16 fiscal year. The District posted the Board-adopted proposed and tentative budgets on its Web site and the Web site displayed the Board-approved budget amendments for the 2015-16 fiscal year; however, according to District personnel, the official budget was not posted due to an oversight. Subsequent to our inquiry, in May 2016, the District posted the Board-adopted official budget to the Web site.

Providing the required budgetary transparency enhances citizen involvement and the ability to analyze, monitor, and evaluate budget outcomes.

Recommendation: The District should ensure that each proposed, tentative, and official budget is timely and prominently posted on its Web site.

⁸ Section 1011.035(2), Florida Statutes.

Finding 7: Virtual Instruction Program – Policies and Procedures

State law⁹ provides that school districts are to prescribe and adopt standards and policies to provide each student the opportunity to receive a complete education. Education methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. State law¹⁰ establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely, written parental notification of VIP options; ensure the eligibility of students participating in the VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2015-16 fiscal year, the District enrolled 217 part-time and 12 full-time VIP students and contracted with a Florida Department of Education (FDOE) approved VIP provider. The District had written policies and procedures addressing eligibility, provider options, the registration window, student learning, parent involvement, promotion and retention, attendance, instructors, extracurricular activities, graduation, and use of technology and academic integrity; however, the District's policies and procedures could be enhanced to include more detailed procedures for other statutory requirements, such as provider contracts, data quality requirements, minimum required security controls, and the District's monitoring of the VIP provider contract provisions.

The need for enhanced comprehensive, written VIP policies and procedures during the 2015-16 fiscal year may have contributed to the following VIP contract deficiencies:

- The contract did not include data quality requirements. The provider is to maintain significant amounts of education data to support the VIP administration and to meet District reporting needs for compliance with State funding, information, and accountability requirements in State law.¹¹ Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of the District be readily available. Inclusion of data quality requirements in the provider contract would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to the provider.
- The contract did not specify any minimum required security controls the District considered necessary to protect the confidentiality, availability, and integrity of critical and sensitive education data. While the contracts contained requirements for the provider to implement, maintain, and use appropriate administrative, technical, or physical security measures required by Federal law,¹² without specified minimum required security controls, there is an increased risk that provider information security and other information technology (IT) controls may not be sufficient to protect the education data.
- The contract did not provide for the District's monitoring of provider compliance with contract terms or quality of instruction. Without such a provision, District personnel may be limited in their ability to perform monitoring. Such monitoring could include confirmation or verification that the

⁹ Section 1001.41(3), Florida Statutes.

¹⁰ Section 1002.45, Florida Statutes.

¹¹ Section 1008.31, Florida Statutes.

¹² The Family Educational Rights and Privacy Act (Title 20, Section 1232g, United States Code).

VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.

In response to our inquiries, District personnel indicated that they were uncertain how to specifically reword the contracts to include the necessary contract provisions but would seek guidance from the FDOE. Similar findings were noted in our report Nos. 2015-143 and 2016-122.

Recommendation: The District should continue efforts to enhance written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities. The District should also ensure that VIP provider contracts include all necessary provisions.

Finding 8: Information Technology – Software License Agreement

Good business practices necessitate that management should have assurances that processing is accurate and valid when contracting with a third party for their data processing needs to ensure continuity of business operations. Such a contract should have provisions for appropriate levels of ongoing service to the entity with a limited amount of downtime, provisions for the third party to provide appropriate services in the event of a disaster, as well as, a means of assurance that the hardware, software, or application is physically secured and appropriate environmental controls are in place. This assurance could be attained by obtaining a service organization controls (SOC) 1 Type 2 report as described in *Statement on Standards for Attestation Engagements No. 16 (SSAE 16), Reporting on Controls at a Service Organization*.¹³

The District is a member of and serves as fiscal agent for the Panhandle Area Educational Consortium - Gateway Educational Computing Consultants (GECC). The GECC serves member districts that share technical staff and software applications. During the 2015-16 fiscal year, the GECC served 15 member districts.

On March 1, 2011, GECC management entered into a software license agreement with a third party provider (TPP) for use of the TPP school system management software, primarily composed of a student records application. The agreement included an addendum for development of a custom finance and human resource software package that would be incorporated into the existing school system management software. As of August 19, 2016, the software license agreement had been amended 3 times since the original agreement. The amendments revised the cost of the annual maintenance fees and the timelines for the custom software development. Also, as of that date, 13 of the 15 member districts had implemented the finance application of the custom software package but the human resource application was still in development.

Our review of the GECC's TPP software license agreement, disclosed that the agreement excluded certain necessary provisions, including provisions to:

- Establish ownership of member district data.
- Guarantee the availability of the system to the member districts.

¹³ An SSAE 16 SOC 1 Type 2 report is an auditor's report on the fairness of the presentation of management's description of the service organization's system and the suitability of the design and operating effectiveness of the service organization's controls to achieve the related control objectives.

- Define the minimum required security controls that the GECC considers necessary to protect the confidentiality, availability, and integrity of critical and sensitive data.
- Disclose the TPP disaster recovery controls in place to ensure the continuity of member district business operations in the event of a disaster.
- Require the TPP contracted data center to obtain an SSAE 16 SOC 1 Type 2 report or otherwise provide assurance for the design and operating effectiveness of data center controls.

District personnel indicated that the agreement lacked the provisions because the agreement was originally written to only provide for software development. However, without provisions in the GECC's TPP agreement to require and ensure the effectiveness of controls for the TPP contracted data center, there is an increased risk that controls may not protect the member districts' data confidentiality, integrity, and availability.

Recommendation: We recommend that GECC management review the current agreement with the TPP and consider agreement amendments to establish ownership of member district data, provide a service-level guarantee, define required security controls, disclose disaster recovery controls, and either require an SSAE 16 SOC 1 Type 2 report of the TPP contracted data center or otherwise provide for assurance regarding the suitability of the design and operating effectiveness of the data center controls.

Finding 9: Information Technology – Security Controls – User Authentication, Data Loss Prevention, and Management of Access Privileges

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication, data loss prevention, and management of access privileges 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, data loss prevention and management of access privileges, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings related to data loss prevention and management of access privileges were communicated to District management in connection with our report Nos. 2015-143 and 2016-122.

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

Finding 10: Information Technology – Disaster Recovery Plan

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

The District’s disaster recovery plan consists of a formal disaster recovery agreement through the GECC whereby participating districts agree to serve as alternate processing sites for each other in the event of a disaster that interrupts critical IT operations, and the plan was tested during the 2015-16 fiscal year. However, certain elements of the District’s plan are outdated, including some of the identified IT infrastructure, IT systems, personnel, and contact information. In response to our inquiry, District personnel indicated that, while they have begun the process of revising and updating the disaster recovery plan, as of September 2016, the plan had not yet been completed and implemented. Without an updated, comprehensive, written disaster recovery plan, there is an increased risk that the District may be unable to continue critical IT operations, or maintain availability of information systems data and resources, in the event of a disruption of IT operations. A similar finding was noted in our previous audit report No. 2016-122.

Recommendation: We recommend District management continue efforts to update the District’s disaster recovery plan to ensure that the plan is relevant and applicable to resuming the operation of critical systems and minimizing the disruption to operations in the event of a disaster.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for applicable findings included in our report Nos. 2015-143 and 2016-122 except as noted in Findings 7, 9, and 10 and shown in the Table 1.

Table 1
Similar Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year Report No. 2016-122, Finding	2013-14 Fiscal Year Report No. 2015-143, Finding
7	1	7
9	3	9
10	2	Not Applicable

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2016 to September 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned

responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.

- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2016-122.
- 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 2015-16 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 procedures for maintaining and reviewing user access to information technology (IT) resources 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. Specifically we:

- Reviewed selected access privileges for all 76 users who had access to the finance and human resource applications.
- Examined administrator account access privileges granted for the audit period and District procedures for oversight of administrator accounts for the network, operating system, database, and application.
- Reviewed District procedures to prohibit former employees' access to electronic data files. We also reviewed access privileges for all 46 former employees who separated from District employment during the audit period to determine whether their access privileges had been timely deactivated.
- Reviewed the written agreements between the Panhandle Area Educational Consortium and a software license and hosting provider and a mainframe hosting provider to determine whether the agreement provisions adequately addressed the security controls related to the member Districts' financial and human resource applications.
- 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 data loss prevention program had been developed.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Evaluated Board, committee, and advisory board minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2016, to determine whether the balances were less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the ability of the District to make its future debt service payments.
- Examined the District Web site to determine whether it included the 2015-16 fiscal year proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records for the audit period to determine whether the District's career center had informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information, as required by Section 1006.695, Florida Statutes.
- From the population of \$12.8 million total expenditures made during the period July 2015 through March 2016 from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay (PECO) funds, and other restricted capital project funds, examined documentation supporting selected expenditures totaling \$3.7 million to evaluate District compliance with the restrictions imposed on the use of these resources.

- From the population of \$1.2 million total transfers made during the audit period from nonvoted capital outlay tax levy proceeds, PECO funds, and other restricted capital project funds, examined documentation supporting selected transfers totaling \$749,054, to evaluate District compliance with the restrictions imposed on the use of these resources.
- Determined whether PECO funds were properly encumbered by the required reversion date or returned as required by Section 216.301(2)(a) and (c), Florida Statutes.
- Examined documentation for the only significant construction project contract (guaranteed maximum price of \$23.4 million) with a construction management entity and associated expenses totaling \$18.4 million for the audit period, to determine compliance with District policies and procedures and provisions of State laws and rules. Also, for this project, we:
 - Examined records to determine whether the construction manager was properly selected.
 - Determine whether the construction contract contained a penalty clause and whether District personnel obtained a payment and performance bond for the project.
 - Evaluated District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined records supporting seven selected payments totaling \$1.5 million to determine whether the District made use of its sales tax exemption to make direct purchases of materials, or documented its justification for not doing so.
 - Examined records for the 12 payments totaling \$5.4 million for proper support and compliance with contract terms.
- Examined copies of the District's six leased educational and ancillary relocatable buildings' most recent annual comprehensive safety inspection reports to ensure the relocatable buildings met applicable building and life safety codes, pursuant to Section 1013.15(4)(a), Florida Statutes.
- Selected 30 expenditures totaling \$1.1 million from the population of \$2.4 million total Workforce Development funds expenditures for the period July 2015 to March 2016 and examined supporting documentation 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 109 industry certifications reported for performance funding that were attained by students during the 2014-15 and 2015-16 fiscal years, examined 25 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 228 adult general education instructional students reported for 42,270 contact hours during the audit period, examined District records supporting 7,414 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- From the population of 791 employees compensated a total of \$17.2 million during the period July 2015 through March 2016, examined District records supporting compensation payments totaling \$126,484 to 42 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 363 noninstructional employees compensated a total of \$7.2 million during the period July 2015 through March 2016, examined District records supporting compensation payments totaling \$131,219 to 54 selected employees to determine whether supervisory personnel reviewed and approved employee reports of time worked and leave taken and whether leave records had been properly updated, if applicable.
- From the population of 105 employees hired as a new employee or into a new position during the period July 2015 through March 2016, examined District records for 26 selected employees to

determine whether the supporting documentation evidenced the correct number of years of experience granted.

- From the population of 112 employees receiving supplements ranging from \$367 to \$6,115 during the period July 2015 through March 2016, examined District records supporting 45 supplements totaling \$65,686 paid to selected 24 employees to determine whether employees were eligible for the supplements and whether the supplements were correctly paid in accordance with the Board-approved salary schedule.
- From the population of 342 instructional personnel and 17 school administrators compensated a total of \$9.3 million during the period July 2015 through March 2016, examined supporting documentation for 30 selected employees who were paid a total of \$1 million to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for 60 employees selected from the population of 842 instructional and noninstructional employees who worked during the audit period to assess whether personnel who had direct contact with students were subjected to the required background screenings.
- Examined District records supporting 24 selected individuals employed by 11 contractors from the population of 103 individuals employed by 31 contractors for the audit period to assess whether employees of contractors who had direct contact with students were subjected to the required background screenings.
- Examined District policies, procedures, and related records 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 the three District teachers who received Florida's Best and Brightest Teacher Scholarships awards totaling \$24,769 during the audit period.
- From the population of 6,019 non-payroll expenditures totaling \$51.6 million during the audit period, examined documentation related to 30 selected transactions totaling \$125,628 to determine whether the non-payroll expenditures were reasonable, correctly recorded, adequately documented, for valid District purposes, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms, and Board policies.
- Examined supporting documentation, including the eight contract documents, for 12 selected consultant contract payments totaling \$661,872, from the population of 168 vendor and consultant contracts totaling \$2.4 million in progress during the audit period, to determine whether:
 - The District complied with competitive selection requirements.
 - Contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - The 12 payments were properly supported and documentation evidenced compliance with contract terms.

Also, we examined documentation related to the eight contracts to determine whether the District complied with Section 112.313, Florida Statutes, and had not contracted with its employees for services provided beyond those in their salary contract.

- Determined whether the District had adequate Virtual Instruction Program (VIP) policies and procedures.

- For the FDOE-approved VIP provider that contracted with the District for the audit period, determined whether the District obtained a list of provider employees and contracted personnel who had obtained background screenings in accordance with Section 1012.32, Florida Statutes.
- Examined the contract documents for the FDOE-approved VIP provider to determine whether the contract contained required statutory provisions. Also, we:
 - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
 - Evaluated the contract and other related records to determine whether the District documented the reasonableness of student-teacher ratios established in the contract.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



Joseph Taylor
Superintendent of Schools
(850) 638-6222
Fax (850) 638-6226

Washington County
District School Board
"An Equal Opportunity Agency"
652 Third Street
Chipley, Florida 32428

District 1
Vann Brock
1160 Whittington Road, Chipley
District 2
Wayne C. Saunders
847 Candy Lane, Chipley
District 3
Milton Brown
3399 Mallory Road, Vernon
District 4
Terry Ellis
1306 Pinebluff Court, Chipley
District 5
Susan G Roberts
1456 State Park Road, Chipley

November 22, 2016

Sherrill F. Norman, CPA
Auditor General
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

In accordance with Section 11.45(4)(d), Florida Statutes, I acknowledge receipt of the preliminary and tentative findings resulting from the operational audit of the Washington County District School Board for the Fiscal Year Ended June 30, 2016. Individual responses are listed below:

Finding No. 1: Background Screenings

The District has implemented procedures to ensure employees who have access to school grounds or school funds have obtained required background screenings. Procedures have also been implemented to ensure required background screenings are performed for applicable employees at least once every 5 years.

Finding No.2: Florida Department of Law Enforcement Sexual Predator and Sexual Offender Registry Notification

The Florida Panhandle Technical College has informed students and employees about sexual predator and sexual offender public information. The information is available in the student handbook and posted on the college website.

Finding No. 3: Payroll Processing – Time Records

The Superintendent is now reviewing and approving the time records for the administrative office staff and school principals, and the school principal leave request forms.

Finding No. 4: Employee Compensation

The District will enhance its procedures for ensuring District employees are compensated pursuant to Board-adopted salary schedules and Board policy.

"Quality Education Today For A Better Tomorrow"

Finding No. 5: Contractual Services

The District has requested the contractor to provide staffing level documentation with the monthly invoice. The District will review documentation to confirm services are satisfactorily received prior to the payment of the invoices.

Finding No 6: Budget Transparency

The District will verify the proposed, tentative, and official budgets are timely and prominently posted to the Web site.

Finding No. 7: Virtual Instruction Program - Policies and Procedures

Written policies and procedures will be expanded to include more detailed instructions that explicitly address all VIP related statutory requirements, with particular focus on the areas of data quality and security controls. The District will monitor provider compliance with contract terms and quality of instruction.

Finding No. 8: Information Technology – Software License Agreement

The Panhandle Area Educational Consortium – Gateway Educational Computing Consultants will work with the third party provider to correct the deficiencies noted in the audit finding.

Finding No. 9: Information Technology – Security Controls – User Authentication, Data Loss Prevention and Management of Access Privileges

The District IT staff has strengthened security controls regarding user authentication and the management of access privileges. The District has begun training staff regarding security controls to protect the integrity of data. The data loss prevention plan has been incorporated in the disaster recovery plan that was approved on November 14, 2016.

Finding No. 10: Information Technology – Disaster Recovery Plan

The District IT staff updated the disaster recovery plan. The plan was approved by the Board on November 14, 2016.

Sincerely,



Herbert J. Taylor
Superintendent

HJT:lcc

