

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2019-211  
May 2019

**VOLUSIA COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2017-18 fiscal year, James T. Russell served as Superintendent of the Volusia County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Dr. John Hill, Vice Chair from 11-14-17	1
Ida D. Wright	2
Linda Cuthbert, Chair from 11-14-17, Vice Chair through 11-13-17	3
Carl Persis	4
Melody Johnson, Chair through 11-13-17	5

The team leader was Nicole E. Cope, CPA, and the audit was supervised by Keith A. Wolfe, CPA.

Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# VOLUSIA COUNTY DISTRICT SCHOOL BOARD

## **SUMMARY**

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This operational audit of the Volusia County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-075. Our operational audit disclosed the following:

**Finding 1:** The District health insurance plan did not require documentation supporting dependent eligibility when dependents were enrolled during open enrollment or when new employees were hired. In addition, District procedures did not provide for documented periodic verifications to ensure that dependent participants in the plan remain eligible.

**Finding 2:** District procedures did not require and ensure documented independent supervisory review and approval of school principal time worked.

**Finding 3:** The District did not utilize a competitive selection process when contracting for insurance.

**Finding 4:** Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of the sensitive personal information of students may occur.

**Finding 5:** District IT security controls related to user authentication need improvement.

## **BACKGROUND**

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The Volusia 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 Volusia County. The governing body of the District is the Volusia County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 69 elementary, middle, high, and specialized schools; sponsored 7 charter schools; and reported 62,132 unweighted full-time equivalent students.

## **FINDINGS AND RECOMMENDATIONS**

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### **Finding 1: Health Insurance Plan - Dependent Eligibility**

Pursuant to the Board-adopted collective bargaining agreements, the District provided a comprehensive group health and hospitalization insurance policy (plan) for full-time employees. For the 2017-18 fiscal year, the District contributed \$531 toward the monthly health insurance premiums for each of the participating employees, with those participating employees paying the premium balance through payroll deductions. Pursuant to State law,<sup>1</sup> eligible retirees were allowed to continue participation in the District's health insurance plan by paying a premium cost of no more than the premium cost applicable to active employees. The District contributes up to \$20 per month for retiree premiums. District personnel were

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<sup>1</sup> Section 112.0801(1), Florida Statutes.

responsible for deducting the insurance premium costs from participating employees' pay and applicable retirees' pension payments, collecting insurance premiums directly from other participating retirees, and submitting the premium payments to the health insurance providers.

During the 2017-18 fiscal year, the District contributed \$42.9 million toward the District's health insurance plan, while 6,755 employees contributed \$11.3 million and 338 retirees contributed \$1.4 million for their respective shares of plan premiums. In addition to participating employees and retirees, 2,630 employee and retiree dependents participated in the plan. Eligible dependents include spouses and qualifying children.

To ensure that only eligible dependents participate in the District health insurance plan, District procedures to obtain and verify documentation supporting dependent initial and continued eligibility are necessary. To enroll in the plan, employees and retirees are required to complete an on-line benefit enrollment application that includes each insured dependent's name, social security number, and date of birth, and requires the insured to certify that the information is true. The application is to be completed when an individual is hired, during open enrollment periods, or after a qualifying life event such as marriage, birth, or adoption. The District had established procedures to verify applicable documentation to support insureds and their dependents when changes are made for a qualifying life event beyond the open enrollment period. However, during open enrollment or when an individual is hired, the District did not require insureds to provide applicable documentation to support dependent enrollments into the plan. In addition, the District had not established procedures to conduct and document periodic verifications to ensure that dependents of the insureds continue to be eligible for plan services.

In response to our inquiries, District personnel asserted that, since the District did not contribute to dependent insurance premiums, insureds paid higher premiums for dependents and the insureds were deterred from electing insurance for an ineligible dependent. District personnel also asserted that the District relied on the insured's certification that the information was true, which could subject the insured to a third-degree felony if the information was determined to be false. Notwithstanding these assertions, absent documented dependent eligibility verifications, there is an increased risk that the dependents receiving insurance benefits may not be eligible for those benefits, increasing health insurance premium costs paid by the District, District employees, and the District's participating retired employees.

**Recommendation: The District should require and ensure verification of documentation to support the eligibility of all dependents enrolled into the District health insurance plan, including those enrolled during open enrollment and by new hires. The District should also establish documented, periodic verification procedures to ensure that dependent participants in the plan continue to be eligible.**

## **Finding 2: 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. The District pays school-based administrators (e.g., school principals) on a payroll-by-exception basis whereby the 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.

During the 2017-18 fiscal year, the District reported salary costs totaling \$6.4 million for 72 school principals. According to District personnel, to document the leave taken, school principals prepare leave request forms and submit the leave request to their supervisor for approval. Also, to document time worked, school personnel, including school principals, manually sign in and out on records approved by school principals and retained at the schools; however, such records are not considered for payroll processing purposes.

In response to our inquiry, District personnel indicated that the supervisory review and approval of leave taken by school principals documented that leave not taken was time worked. Notwithstanding this response, without evidence of independent, documented supervisory review and approval of time worked by school principals, there is limited assurance that their services were provided consistent with Board expectations. In addition, without accurate records of independent, documented supervisory review, there is an increased risk that employees may be incorrectly compensated, employee leave balances may not be accurate, and District records may not be sufficiently detailed in the event of a salary or leave dispute.

**Recommendation: The District should require independent, documented supervisory review and approval of school principal work time.**

### **Finding 3: Insurance – Competitive Selection**

Pursuant to State law,<sup>2</sup> before entering into any contract for life, health, accident, hospitalization, legal expense, or annuity insurance, or all or any kinds of such insurance, for District officers and employees, the District must advertise for competitive bids and such contract must be let upon the basis of such bids. The District is authorized to undertake simultaneous negotiations with qualified bidders during the selection process. During the 2017-18 fiscal year, District-paid premiums and employee-paid premiums for health insurance totaled \$42.9 million and \$12.7 million, respectively.

According to District records, the District last solicited requests for proposals in November 2005 for life, health, dental, and other insurance, effective for the 2006-07 plan year. In response to our inquiry, District personnel indicated the District directly negotiated with the existing providers through their insurance consultant and compared the District's current costs and benefits to school districts of comparable size and proximity. We examined Board minutes that evidenced District presentations comparing District insurance plans to other school district insurance plans and indicating District costs were comparable to the others. Notwithstanding, by periodically seeking competitive bids for insurance and negotiating with qualified bidders, the District could demonstrate compliance with State law and also gain additional assurance that insurance coverage was obtained at the lowest cost consistent with acceptable quality.

**Recommendation: As required by State law, the District should use competitive bidding procedures when entering into contracts for life, health, dental, or other insurance.**

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<sup>2</sup> Section 112.08(2)(a), Florida Statutes.

## Finding 4: Information Technology User Access Privileges

The Legislature has recognized in State law<sup>3</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented periodic evaluations of information technology (IT) user access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,<sup>4</sup> the District identified each student using a Florida education identification number assigned by the Florida Department of Education (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 provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies<sup>5</sup> allow designated District employees access to sensitive personal information of students in the exercise of their respective job responsibilities.

Our examination of District records, as of August 31, 2018, disclosed that the District SIS contained sensitive personal information for 211,916 former and 53,269 current students and 1,948 employees had continuous access to this information. In response to our inquiries, District personnel indicated that, the District SIS utilized for the 2017-18 fiscal year did not have the ability to mask student SSNs and that, as part of their job assignments, the majority of the 1,948 employees required access to certain student demographic data but did not require access to other sensitive personal information. The employees with the unnecessary access included, for example, administrative secretaries, analysts, specialists, teachers, and assistant principals.

Although District records evidenced biannual evaluations of IT user access privileges, the effectiveness of the evaluations was limited because of the District SIS' inability to mask student SSNs from those employees who did not need such access to perform their job assignments. District personnel indicated that the District is implementing a new SIS in July 2019, which includes the ability to mask any field down to the user level.

The existence of unnecessary IT access privileges increases the risk of unauthorized 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 the sensitive personal information of students is properly safeguarded, in conjunction with the implementation of the new SIS, the District should review 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**

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<sup>3</sup> Section 119.071(5)(a), Florida Statutes.

<sup>4</sup> Section 1008.386, Florida Statutes.

<sup>5</sup> Board Policies 05-09, *Disclosure of Information*, and 06-13, *Personnel Files and Data Information*.

**occasional access to sensitive personal information, the privileges should be granted only for the time needed.**

### **Finding 5: Information Technology – Security Controls – User Authentication**

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 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, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding was noted in our report No. 2016-075.

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

### ***PRIOR AUDIT FOLLOW-UP***

The District had taken corrective actions for applicable findings included in our report No. 2016-075, except that Finding 5 was also noted in report No. 2016-075, as Finding 7.

### ***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 June 2018 through 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. 2016-075.

- 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:

- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) 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. We also examined the administrator account access privileges granted and procedures for oversight of administrative accounts for the network and applications to determine whether these accounts had been appropriately assigned and managed. Specifically, we:
  - Tested the access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of access privileges granted for 222 accounts.
  - Tested the access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for 35 accounts.



- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed selected access user privileges for 30 of the 1,141 employees who separated from District employment during the audit period 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.
- 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.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools.
- Examined Board, committee, and advisory board 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).
- 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.
- From the population of expenditures totaling \$44,563,348 and transfers totaling \$32,088,950 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 \$1,095,062 and \$22,951,005, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, from the population of 1,948 individuals who had access to sensitive personal student information, we examined District records supporting the access privileges of these individuals to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Examined the District Web site to determine whether the 2017-18 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2015-16 and 2016-17 fiscal years.
- Examined District records to determine whether required internal funds audits for the 2016-17 and 2 preceding fiscal years were timely performed pursuant to SBE Rule 6A 1.087, Florida Administrative Code, 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.
- Evaluated the District's policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine compliance with State law and Board policies. From the population of 413 former employees paid \$2,237,259 for terminal leave, we examined District

records for 30 selected former employees paid terminal leave pay totaling \$121,312 to determine whether the terminal leave pay was calculated in compliance with Sections 1012.61 and 1012.65, Florida Statutes, and Board policies.

- Evaluated severance pay provisions in the Superintendent's employment contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- From the compensation payments totaling \$248,158,229 to 9,969 employees during the period July 1, 2017, through April 30, 2018, examined District records supporting compensation payments totaling \$73,091 to 40 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 3,985 instructional personnel and 401 school administrators compensated a total of \$221,718,168 during the audit period, examined documentation for 30 selected employees who were paid a total of \$1,432,186 to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each selected instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District records for the audit period for 34 employees selected from the population of 7,878 employees and 1 charter school board member from the population of 406 charter school personnel to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records for volunteers for the audit period to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of 30 selected recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 3,690 District teachers and 25 charter school teachers who received scholarship awards totaling \$4,203,600 during the audit period.
- Evaluated the District's procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. We also examined District records to determine whether the District submitted to the Florida Department of Education (FDOE) accurate information about the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes, and whether the District timely awarded the correct amount to each eligible principal.
- 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.
- 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 payments totaling \$1,231,414 during the audit period for new software applications, examined documentation supporting three selected payments totaling \$334,500 to determine whether the District evaluated the effectiveness and suitability of the software

applications prior to purchase, the purchases were made through the competitive vendor selection process, and deliverables met the contract terms and conditions.

- For the two significant construction projects with expenditures totaling \$11,602,934 and in progress during the audit period, examined documentation for project expenditures of \$1,432,610 to determine compliance with Board policies and District procedures and provisions of State laws and rules. Also, for these two construction management contracts with guaranteed maximum prices totaling \$39,312,367, we:
  - Examined District records to determine whether the construction manager was properly selected.
  - Evaluated 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 to determine whether projects progressed as planned and were cost effective and consistent with established benchmarks, and whether District records supported that the contractors performed as expected.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports. From the 90 inspection reports, we selected 5 reports with 751 noted deficiencies, and examined documentation to determine whether timely action was taken to correct the deficiencies.
- From the population of purchasing card (P-card) transactions totaling \$5,653,648 during the period of July 1, 2017, through May 31, 2018, examined documentation supporting 30 selected transactions totaling \$147,371 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for 15 cardholders who separated from District employment during the audit period.
- Determined whether rebate revenues for the audit period totaling \$200,935 for the P-card and e-Payable programs were allocated to the appropriate District funds.
- Reviewed the audit reports for the seven District-sponsored charter schools received during the audit period to determine whether the required audits were performed. We also determined whether the 2016-17 fiscal year audits of the District direct-support organization and charter schools were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
- 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.
- 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.
- 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.

- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs. We also compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements, evaluated District efforts to timely resolve any deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.
- Determined whether non-compensation 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. Specifically, from the population of expenditures totaling \$117,053,797 for the period July 1, 2017, through March 31, 2018, we examined documentation relating to 33 selected payments for general expenditures totaling \$42,137.
- From the population of payments totaling \$19,085,968 for 194 service contracts during the period July 1, 2017, through March 31, 2018, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$4,035,928 related to 28 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 schools, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, we reviewed District records to determine whether the District appropriately reported to the FDOE, pursuant to the 2017 General Appropriations Act (Chapter 2017-234, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.
- Evaluated the adequacy of District 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 contracts 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.
  - Examined the contract and other related records to determine whether the District documented the reasonableness of the student-teacher ratios established in the contract.
  - Examined contract fee provisions and inquired as to how fees were determined for services rendered.
- 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***

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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 the first name being the most prominent.

Sherrill F. Norman, CPA  
Auditor General

## MANAGEMENT'S RESPONSE



James T. Russell  
Superintendent of Schools

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**School Board of Volusia County**

Mr. Carl G. Persis, Chairman  
Mrs. Ida D. Wright, Vice Chairman  
Mr. Ruben Colón  
Mrs. Linda Cuthbert  
Ms. Jamie M. Haynes

April 10, 2019

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

Dear Ms. Norman:

This letter is in response to the preliminary and tentative audit findings and recommendations as outlined in your letter dated April 2, 2019.

As requested, enclosed you will find a written statement in response to the preliminary and tentative findings, along with the corrective action plans as warranted.

Sincerely,

James T. Russell  
Superintendent of Schools

Enclosure

Copy to: School Board Members

### Finding No. 1: Health Insurance Plan – Dependent Eligibility

Currently, the District verifies dependent eligibility documentation only during qualifying life events. As stated in the report findings, because the District does not subsidize dependents and employees pay substantial premiums to insure those dependents, we have not previously required documentation for new hires or during open enrollment but have relied on the insured's certification that the information was true. We accept the finding and realize there is an increased risk that dependents may be receiving insurance benefits that may be ineligible for those benefits.

To ensure that only eligible dependents participate in the District health insurance plan, the District will obtain and verify documentation supporting dependent eligibility. This will be accomplished during open enrollment in August 2019. After all documentation is obtained, The District's health insurance consultant, AON, will perform a complete dependent audit. In addition, the District will establish documented, periodic verification procedures to ensure that dependent participants in the plan continue to be eligible for benefits.

### Finding No. 2: Payroll Processing Time Records

The District pays school-based administrators on a payroll-by-exception basis whereby staff is paid a fixed authorized gross amount each payroll cycle unless the amount is altered. This assumes absent any payroll action to the contrary, an employee worked or used available accumulated leave for the required number of hours in the payroll period. However, with the exception of supervisory approval of leave requests, no documentation of supervisory review exists. The District accepts this comment.

The District is implementing a new ERP system (estimated go-live October 1, 2019) which will include a payroll workflow approval that requires all administrators to submit a time sheet electronically each pay period, summarizing the number of hours worked each day. The electronic timesheet will also document approved leave time for each day in the pay period. Approval will be made by the administrator's immediate supervisor (Area Superintendent for principals). This workflow approval will provide document for bi-monthly salary payments and leave balances. This workflow approval will include all administrative employees (school-based and district-based).

### Finding No. 3: Insurance – Competitive Selection

The District accepts the abovementioned finding. Negotiations occur directly with insurance carriers/agents and indirectly through our health insurance consultant, AON, each plan year. AON provides actuarially analysis as to the validity of parameters used for pricing. Costs and benefits of other school districts of comparable size and proximity are analyzed as well. The Board did consider the release of a Request for Proposal for our 2017-18 health insurance plan year however, they instead approved a two-year (10/1/15-9/30/17) Pro-share agreement with our two carriers. The pro-share agreement resulted in a \$6.5 million refund to the District in January 2018. In addition, the Board subsequently signed another two-year (10/1/17-9/30/19) Pro-share agreement with one carrier (FHCP). The results of that agreement are unknown at this time.

### Finding No. 4: Information Technology User Access Privileges

The District accepts the abovementioned finding. The recommended corrective action is currently being addressed as a part of the account management review process for the implementation of our new Student Information System, Focus. It is important to note that the student's social security number will be displayed

on a classified page within Focus. Isolation of the student's social security number to the classified page will allow us to control user access to the security profile. Only select users that require access to the information for educational purposes will be granted access. Our scheduled security implementation date for Focus is July 2019.

### Finding No. 5: Information Technology – Security Controls – User Authentication

The District had taken corrective actions for applicable findings included in our report No. 2016-075, except that Finding 5 was also noted in report No. 2016-075, as Finding 7.

The district accepts the abovementioned finding. The corrective action taken was to adjust the district's password enforcement policy and settings for Financial Services staff.