

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2019-210
April 2019

BROWARD COUNTY DISTRICT SCHOOL BOARD



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2017-18 fiscal year, Robert W. Runcie served as Superintendent of the Broward County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Ann Murray	1
Patricia Good	2
Heather P. Brinkworth, Vice Chair from 11-21-17	3
Abby M. Freedman, Chair through 11-20-17	4
Dr. Rosalind Osgood	5
Laurie Rich Levinson	6
Nora Rupert, Chair from 11-21-17, Vice Chair through 11-20-17	7
Donna P. Korn	At-Large, Countywide
Robin Bartleman	At-Large, Countywide

The team leader was Stefanie Johnson, CPA, and the audit was supervised by Diana G. Garza, CPA.

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

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BROWARD COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Broward County School District (District) focused on selected District processes and administrative activities and included a follow-up on additional matter findings noted in our report No. 2016-180. Our operational audit disclosed the following:

Finding 1: Several employment agreements included a severance pay provision that did not appear to be consistent with State law.

Finding 2: According to Florida Department of Education guidance, school districts may pay the employer payroll taxes for Florida Best and Brightest Teacher Scholarship Program and Florida Best and Brightest Principal Scholarship Program awards from the scholarship program funds. Notwithstanding, for the 2017-18 fiscal year, the District paid \$881,000 for those taxes from other resources without Board approval of the use of those resources for that purpose.

Finding 3: The Board had not established a date for completion and presentation of the school internal funds' audit reports to the Board. Reports for 187 school internal fund audits for the fiscal year ended June 30, 2017, had not been completed and presented as of September 4, 2018. A similar finding was noted in our report No. 2016-180.

Finding 4: The District needs to continue efforts to recover salary overpayments. In addition, District payroll procedures need improvement to prevent future salary overpayments.

Finding 5: The District purchasing card program needs enhancement.

Finding 6: 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 7: Some other inappropriate or unnecessary IT access privileges existed that increased the risk that unauthorized disclosure, modification, or destruction of District data and IT resources may occur.

Finding 8: IT security controls related to user authentication continue to need improvement.

BACKGROUND

The Broward 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 Broward County. The governing body of the District is the Broward County District School Board (Board), which is composed of seven elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 226 elementary, middle, high, and specialized schools; sponsored 89 charter schools; and reported 269,334 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Severance Pay

State law¹ provides that, on or after July 1, 2011, a unit of government that enters into an employment agreement that contains a provision for severance pay with an officer, agent, employee, or contractor must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Our discussions with District personnel and examination of District records indicated that, as of April 2018, there were ten Board-approved employment agreements containing severance pay provisions and we evaluated the propriety of those provisions in all ten agreements.

We found that the severance pay provisions in four employment agreements were contrary to State law as they allowed for severance pay that exceeds 20 weeks of compensation. Specifically:

- The General Counsel agreement dated June 15, 2016, provided that, if terminated without cause during the first 2 years of the agreement, the General Counsel would be paid the balance due through the end of the original term of the agreement or for 6 months, whichever is less.
- On June 13, 2017, the Board amended three employment agreements with two Deputy General Counsels and one Assistant General Counsel to provide that, if terminated in the event of their disability to perform fully their duties, the Board would pay as severance pay and in full satisfaction of the Board's obligations, a lump sum equivalent to the salary remaining payable under the remaining portion of their respective agreements.

In response to our inquiries, District personnel indicated that, for the General Counsel agreement, the severance pay provision only applied to the first 2 years of the contract and expired in June 2018. For the other three employment agreements with the two Deputy General Counsels and one Assistant General Counsel, District personnel agreed that the severance provisions were contrary to State law and, as of January 2019, planned to amend the contracts at an upcoming Board meeting.

Recommendation: The Board should take appropriate action to ensure that severance pay provisions in District employment agreements comply with State law.

Finding 2: Resource Use

State Board of Education (SBE) rules² require the Board to annually adopt and spread on its minutes salary schedules for District employees. The schedules so adopted are to be the sole instrument used in determining employee compensation. Such salary schedules must clearly show the method of computing employee compensation and individual personnel records for each employee must contain evidence of each factor used in calculating that employee's compensation for the year. According to District personnel, the salary schedule amounts identify employee compensation before payroll taxes are applied and District practice is to pay the employer payroll taxes and net compensation amounts from the same funding source.

¹ Section 215.425(4)(a), Florida Statutes.

² SBE Rule 6A-1.052, Florida Administrative Code (FAC).

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program³ to reward classroom teachers who achieved high academic standards during their own education. The Florida Legislature also established the Florida Best and Brightest Principal Scholarship Program⁴ to reward school principals who recruit and retain a high percentage of classroom teachers designated as Florida's best and brightest teacher scholars pursuant to State law.

According to guidance contained in a January 2018 FDOE memorandum, each school district may use the applicable portion of funds from the two scholarship programs to pay the applicable employer payroll taxes instead of paying those taxes from other resources. During the 2017-18 fiscal year, the FDOE provided the District a total of \$11.5 million from the two scholarship programs for 11,702 District employees.

Our examination of District records disclosed that, instead of using applicable scholarship program funds to pay the employer payroll taxes, the District paid the taxes from unrestricted resources. For example, for a teacher who received a \$6,000 scholarship award, the District expended \$6,459, including \$6,000 paid to the employee from scholarship program funding and \$459 paid from unrestricted resources for the related employer payroll taxes, instead of following FDOE guidance and using \$6,000 in scholarship program funds to pay both the teacher and the related employer payroll taxes. By using unrestricted resources to pay the employer payroll taxes, District scholarship recipients each received higher payments than they otherwise would have. Collectively, the District disbursed a total of \$881,000 from unrestricted resources for employer payroll taxes associated with the two scholarship programs.

According to District personnel, the Board approved budget amendments for salary increases that included amounts for teachers and principals paid from the respective scholarship programs. Notwithstanding, although we requested, District records were not provided to evidence that the Board approved use of unrestricted resources to pay the employer payroll taxes associated with these scholarships or approved the higher payment amounts to the scholarship recipients on the Board-adopted salary schedule or by other means. Absent Board approval, the authority for using unrestricted resources to pay employer payroll taxes related to the program-funded scholarships and the higher payment amounts is not readily apparent.

In response to our inquiries, District personnel indicated that they received the FDOE memorandum allowing the use of scholarship program funding to pay the applicable employer payroll taxes; however, due to oversights, funding from the two programs was depleted before the District detected the payroll processing errors. District personnel also indicated that, in subsequent years, the employer payroll taxes will be paid from available scholarship program funds. Use of unrestricted resources without prior Board approval not only reduces the amount of those resources for general appropriation and use, but also may result in uses that are inconsistent with Board intentions.

Recommendation: The Board should take action to either authorize District use of the \$881,000 in unrestricted resources for employer payroll taxes applicable to the respective scholarship awards or seek and recover from the scholarship recipients the extra amounts paid due to the payroll processing errors. In addition, for future scholarship payments, the District should follow

³ Section 1012.731, Florida Statutes.

⁴ Section 1012.732, Florida Statutes.

Finding 3: Audits – School Internal Funds

School internal funds provide an accounting for various school club and class activities. The *Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book)*⁵ requires the Board to provide for an annual audit of the school internal funds. State law⁶ requires the District to provide for an audit of its financial statements to be completed within 9 months after fiscal year-end. As school internal funds are an integral part of the District financial reporting entity, it is important that the school internal funds audits are available for consideration during the District financial statements audit.

The District employs internal auditing staff to audit its school internal funds and the Board established an Audit Committee to receive and evaluate the District school internal funds audits. The Audit Committee consists of 12 members, each appointed by one of the 9 Board members, the Superintendent, the District Advisory Committee, or the Broward County Council of Parent Teacher Association. At June 30, 2017, the District reported school internal funds assets and liabilities of \$16.7 million for the District's 226 schools. However, based on discussions with District personnel, the Board had not established a date for completion and presentation of the school internal funds audit reports to the Board.

As shown in Table 1, our review of school internal funds audit reports for the fiscal year ended June 30, 2017, disclosed that 187 of the 226 school internal fund audit reports had not been completed and presented to the Board as of September 4, 2018, over 14 months after the District's June 30, 2017, fiscal year end.

Table 1
School Internal Funds Audit Reports
Not Timely Presented to the Board
For the Fiscal Year Ended June 30, 2017

Type of School	Audit Reports Presented to Board on 9/5/2018	Audit Reports Not Presented to the Board as of 9/6/2018
Elementary	-	134
Middle	6	22
High	8	-
Other	1	16
Totals	<u>15</u>	<u>172</u>

Source: District records.

In response to our inquiry, District personnel indicated that there were several reasons why the audits were not timely completed and presented. For example:

⁵ Chapter 8, Section 4.2, *Red Book*.

⁶ Section 218.39, Florida Statutes.

- Hurricane Irma caused the District to be closed for 7 school days in September 2017, interrupting work flow and requiring the September 7, 2017, Audit Committee meeting to be canceled.
- The Chief Auditor and Office Manager both retired mid-year, requiring the Internal Funds Audit Manager to be assigned Chief Auditor duties for 5 months.
- Following February 14, 2018, the District's focus was the Marjory Stoneman Douglas High School tragedy.
- The scheduled March 22, 2018, Audit Committee meeting was canceled.
- The scheduled June 21, 2018, Audit Committee meeting was canceled and rescheduled to August 9, 2018, to give the new Chief Auditor, who started in June 2018, time to write an Audit Plan to present to the Audit Committee and the Board near the beginning of the school year.

Notwithstanding the reasons provided for delays, school internal funds audit reports timely presented to the Board enhance the relevance and usefulness of the reports for evaluating internal controls over school internal funds and District compliance with laws, rules, and Board policies relating to school internal funds. Timely completed and presented reports also allow for consideration of the audits during the District financial statements audit. A similar finding was noted in our report No. 2016-180.

Recommendation: The Board should establish a date for presenting school internal funds audit reports to the Board. In doing so, the Board should consider the benefits of completing the school internal funds audits within a time frame that:

- Enhances the relevance and usefulness of the audits for evaluating internal controls over school internal funds and District compliance with laws, rules, and Board policies relating to school internal funds.
- Allows for consideration of the audits during the District financial statements audit.

Finding 4: Salary Overpayments

During the 2017-18 fiscal year, the District incurred \$1.9 billion in salary expenditures. In connection with our examination of District records supporting those salary expenditures, we noted that the District had identified several salary overpayments totaling \$893,035. In response to our inquiries, District personnel indicated that most of the overpayments occurred due to errors associated with employment separations, changes in pay, pay supplements, and employee leave or absences. For example, the three largest salary overpayments from the 2017-18 fiscal year were for:

- An individual who separated from District employment in January 2018, but the District inappropriately continued to pay through April 2018, resulting in overpayments totaling \$14,303. In response to our inquiry, District personnel indicated that the overpayments occurred because the Office Manager untimely notified the HR Department 3 months after the employment separation. According to District personnel, as of February 2019, the District had not recovered the overpayments.
- An individual who separated from District employment in August 2017, but the District inappropriately continued to pay through October 2017, resulting in overpayments totaling \$8,260. According to District personnel, the overpayments occurred because the Office Manager untimely notified the HR Department a month after the employment separation and the HR Department took an additional month to change the individual's status in the payroll system. According to District personnel, as of February 2019, the overpayments had not been recovered.

- An employee who earned a \$1,302 supplement payable for 1 month, but the supplement was not properly entered into the payroll system, causing the supplement to be paid in each paycheck until the error was detected and corrected months later. District records indicated that the overpayments totaling \$9,114 had been recovered from the employee as of February 2019.

District records tracked the salary overpayments and related recovery efforts for the 2015-16, 2016-17, and 2017-18 fiscal years. Table 2 displays the total District-identified salary overpayments by type of error and fiscal year.

Table 2
Salary Overpayments by Error Type
and Overpayments Recovered

During the 2015-16, 2016-17, and 2017-18 Fiscal Years

Overpayment Error Type	2015-16	2016-17	2017-18
Employee Separations	\$158,060	\$191,636	\$165,440
Changes in Pay	91,429	117,387	179,837
Pay Supplements	103,743	119,647	76,089
Employee Leave/Absence	268,198	229,507	314,961
Deletion of Hours	94,237	76,240	80,074
Other	138,060	65,316	76,634
Overpayment Totals	<u>\$853,727</u>	<u>\$799,733</u>	<u>\$893,035</u>
Overpayments Recovered	<u>\$768,734</u>	<u>\$785,862</u>	<u>\$721,127</u>

Source: District records.

According to District records, the total outstanding salary overpayment balance as of June 30, 2018, for all fiscal years was \$712,968, which excluded amounts considered uncollectible according to the 2-year statutory limitation.⁷

Notwithstanding the District recovery process and efforts, the instances of overpayments are indicative of control weaknesses in District payroll processing procedures. For example, our discussions with District personnel disclosed that District procedures require approvers to review and approve the employee time management reports within 3 days after the pay period ends. However, our examination of District records supporting four pay periods for 30 selected employees disclosed that the time management reports were not timely reviewed and approved by the employee's supervisor for 10 salary payments totaling \$40,821. District records indicated that the review and approval for these payroll reports were 3 to 45 days late, or an average of 11 days late; all of which were after the employee had been compensated. Although we requested, District records were not provided to justify why supervisors did not promptly review and approve the payroll reports.

Without prompt supervisory review and approval of time management reports, there is an increased risk that employees may be incorrectly compensated, leave balances may not be accurate, and District records may not be sufficiently detailed in the event of a salary or leave dispute. Similar findings were noted in our report Nos. 2013-160 and 2016-180.

⁷ Section 95.11(4)(c), Florida Statutes.

Recommendation: The District should ensure that, prior to payment, salary payments are appropriate, accurate, properly documented and supported, and timely reviewed and approved by supervisory personnel. The District should also continue efforts to timely recover uncollected salary overpayments.

Finding 5: Purchasing Cards

The District established a Purchasing Card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. P-cards are designed to provide a cost-effective, convenient, and decentralized method for individuals to make certain business purchases on behalf of the District. P-card purchases are subject to the same rules and regulations that apply to other District purchases.

The District designated a Program Administrator to oversee the P-card program and developed a comprehensive *Purchasing Card Program Policies and Procedures Manual (P-Card Manual)* that addresses management controls over the issuance, use, and deactivation of P-cards. The *P-Card Manual* provides, for example, that all purchases must be approved by a principal, department director, or immediate supervisor. All cardholder statements must be returned to the Program Administrator with both the cardholder's and their immediate supervisor's signatures. In addition, the cardholder must obtain a receipt or invoice for all transactions, reconcile the monthly statement to the receipts, and submit the reconciled statement with attached receipts to their principal, department head, or designee. The principal, department head, or designee must review the cardholder statement and receipts and provide approval by signing the cardholder statement and sending to the Program Administrator by the 15th day of the month. The *P-Card Manual* also provides that the District department will notify the Program Administrator within 2 weeks for any employee that has transferred, retired, or is no longer with the District so the card can be canceled.

To determine the reasonableness of P-card monthly total transaction dollar limits for the period July 1, 2017, through April 10, 2018, we inquired of District personnel and examined District records supporting the limits for 830 P-cards issued to 524 District employees or departments⁸ with monthly purchasing limits of \$20,000 to \$900,000. We found that 177 P-cards issued to 91 employees or departments with limits of \$20,000 to \$500,000 incurred no activity and 631 P-cards issued to 457 employees or departments had total monthly dollar expenditures that were 0.01 percent to 48 percent of the respective monthly purchasing limit.

In response to our inquiry, District personnel indicated that the District-assigned cardholder profiles are based on cardholder requests and each department monitors expenditures, including P-card expenditures, based on the department budget. However, District procedures had not been established for monitoring the P-card purchasing limits and, although we requested, District records were not provided to evidence such monitoring. Absent effective procedures for monitoring P-card purchasing limits, there is an increased risk of P-card misuse.

⁸ Employees and departments may have more than one P-card assigned based on their purchasing responsibilities.

P-card expenditures totaled \$24.5 million, for the period July 1, 2017, through April 10, 2018, and, as of April 10, 2018, 963 District P-cards were in use. Our examination of District records supporting 30 selected P-card expenditures totaling \$219,533 disclosed that:

- District records did not identify the District purpose for 5 charges totaling \$5,905. For example, a \$4,999 charge was for a second deposit to a vendor for an event named “Broward Schools (before and after school)” and the cardholder was the before and after school director. The cardholder statements were signed by the school director and the director’s supervisor to evidence approval; however, no other records existed to justify the purpose for expenditure.
- 4 expenditures totaling \$37,051 were supported by cardholder statements signed by the cardholder but the cardholder’s supervisor did not sign the statements.
- 3 expenditures totaling \$4,601 were supported by cardholder statements that were not signed by the cardholder or the cardholder’s supervisor.
- 1 expenditure totaling \$1,400 was not supported by a receipt or other documentation to demonstrate the authorized District purpose.

Adherence to the *P-Card Manual* purchasing restrictions would help ensure that, prior to acceptance of P-card charges, District records identify cardholder acceptance of the charges and evidence appropriate supervisory review and approval of the purchases. In addition, enforcement of the *P-Card Manual* requirements would help provide assurance that P-cards are used exclusively for authorized District purposes.

During the 2017-18 fiscal year, 21 cardholders separated from District employment. We examined District records to evaluate the timeliness of P-card cancellations and found that 14 P-cards were not timely canceled, including 11 P-cards canceled before our inquiry and 3 P-cards canceled after our inquiry. The cancellations were 20 to 413 days, or an average of 103 days, after the cardholders’ employment separation dates.

In response to our inquiries, District personnel indicated that the untimely cancellations occurred primarily because departments did not timely inform the P-card Administrator of the employment separations. While the financial institution that administers the District P-card program allows 60 days from the close of the cycle in which the transaction is posted to dispute the transaction, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the District’s ability to satisfactorily resolve disputed charges.

Recommendation: The District should:

- **Establish procedures that require and ensure that each cardholder’s total monthly P-card purchasing limits are periodically evaluated, based on the cardholder’s District spending activity and needs, and adjusted based on the evaluation results.**
- **Enhance P-card procedures to ensure that District records are maintained to effectively restrict P-card purchases to purposes authorized in the *P-Card Manual*.**
- **Ensure P-card privileges are promptly canceled upon a cardholder’s separation from District employment.**

Finding 6: Information Technology User Access Privileges – Sensitive Personal Student Information

The Legislature has recognized in State law⁹ 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 the confidential status of such information. Effective controls restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of employee access privileges to help prevent personnel from accessing sensitive personal information of students inconsistent with their responsibilities.

Pursuant to State law,¹⁰ the District identified each student using a Florida education identification number obtained from the FDOE. While the District does not require SSNs from students, the District's student registration form includes an optional field for the student SSN and, if provided, the SSNs are maintained within the District Student Information System (SIS). District personnel indicated that IT user access privileges are controlled by security profiles and a form must be completed and approved by authorized personnel before access is granted.

As of December 2018, the District SIS contained the sensitive personal information of 1,169,288 former students and 25,404 current students. However, although we requested, District records were not readily available to identify the individuals who needed or had access to this information and, according to District personnel, periodic evaluations of such access were not performed.

District personnel indicated that the District SIS had a mechanism to mask SSNs; however, the mechanism had not been used as of the date of our inquiry in August 2018. Absent documented identification and evaluation of the individuals who have access to sensitive personal information of students, there is an increased risk of unauthorized disclosure of that information and the possibility that such information may be used to commit a fraud against District students or others.

Recommendation: To ensure access to the sensitive personal information of students is properly safeguarded, the District should consider masking student SSNs in the District SIS. The District should also identify the individuals who have access privileges to the sensitive personal information of students, document periodic evaluations of those individuals' need for the access privileges, and timely remove any unnecessary access privileges detected. If an individual only requires occasional access to the information, the privileges should be granted only for the time needed.

Finding 7: Information Technology User Access Privileges – Human Resource, Payroll, and Finance Applications

Effective access controls to human resource (HR), payroll, and finance applications include granting IT user access privileges to these resources based on demonstrated need to view, change, or delete data and restrict individuals from performing incompatible functions or functions outside their areas of

⁹ Section 119.071(5)(a), Florida Statutes.

¹⁰ Section 1008.386, Florida Statutes.

responsibility. Effective access controls also provide for documented, periodic evaluations of these privileges to help prevent individuals from performing unauthorized or fraudulent transactions.

As part of our audit procedures, we examined District records supporting the District's documented, periodic evaluations of IT user access privileges and evaluated the IT user access privileges to District HR, Payroll, and Finance modules. We identified 143 individuals with update access to the HR and Payroll modules and 97 individuals with update access to the Finance module. However, we found that 17 of these individuals had access privileges that were unnecessary or permitted the performance of incompatible functions. Specifically:

- 7 IT Department employees, who were part of a systems, applications, and products (SAP) programming team, had update access privileges to the HR and Payroll modules. While the team managed and maintained the SAP applications, we found that these employees could also change personnel actions, employee information, and time data; create payrolls and warrants; and record payments in the accounting records. District personnel believed the SAP programming team needed to continue these access privileges because they maintain the SAP application code. However, although we requested, District records were not provided to demonstrate why such privileges should be continuously provided to these employees.
- 6 other IT Department employees had update access privileges to the HR and Payroll modules that provided the unnecessary update access privileges granted to the SAP programming team. These 6 IT users also had unnecessary access privileges to the Finance module and could create and change vendors, purchase orders, invoices, warrants, and journal entries. According to District personnel, the 6 IT employees provided functional support to users when system issues occurred to help continue processing after resolution of the issues. Subsequent to our inquiry, in November 2018, the District deleted these access privileges for the 6 IT employees.
- 4 Payroll Department employees had update access privileges to the HR and Payroll modules that allowed them to change personnel actions and employee information, which is appropriate only for HR Department personnel. According to District personnel, these 4 employees execute, monitor, and report on all payroll-related functions, including processing paychecks and direct deposits. When payroll discrepancies are identified, team members are required to contact affected staff members, inform them of the discrepancy, and expeditiously update HR information to avoid potential payroll issues. Notwithstanding, District personnel indicated that they will review the access of these 4 employees and modify their access privileges as appropriate.

Recommendation: The District should ensure that IT user access privileges are necessary for the users' assigned job responsibilities and enforce an appropriate separation of duties.

Finding 8: Information Technology – Security Controls – User Authentication

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

Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. Similar findings were noted in our report Nos. 2013-160 and 2016-180.

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. 2016-180 except as noted in Findings 3, 4, and 8 as shown in Table 3.

Table 3
Findings Also Noted in Previous Audit Reports

Finding	2014-15 Fiscal Year Audit Report	2011-12 Fiscal Year Audit Report
	No. 2016-180, Finding	No. 2013-160, Finding
3	5	Not Applicable
4	2	4
8	12	14

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from February 2018 to February 2019 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 additional matter findings included in our report No. 2016-180.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls, instances of noncompliance with applicable

laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

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

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

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

In conducting our audit, we:

- Reviewed District information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District 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. Specifically, we:
 - Examined District records supporting IT user access privileges to District Finance, Payroll, and HR modules and identified a total of 143 employees and contractors with access to at least one critical function within the HR and Payroll modules and a total of 97 employees and contractors with access to at least one critical function within the Finance modules.
 - Tested the 20 roles that allowed update access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of access privileges granted for 28 accounts.

- Tested the 12 roles that allowed update access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for 43 accounts.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District business system.
- Evaluated the adequacy of District procedures related to security incident response and reporting.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District data center.
- Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools.
- 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 \$142.4 million and transfers totaling \$264.2 million during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$9.6 million and \$52.8 million, respectively, to determine District compliance with the restrictions imposed on the use of these resources. We also performed a separate review of impact fees and the capital maintenance transfer.
- Analyzed workforce development funds expenditures totaling \$79.1 million during the audit period 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 952 industry certifications eligible for the 2016-17 fiscal year performance funding, examined supporting documentation for 30 selected students to determine whether the District maintained documentation for student attainment of the industry certifications.
- From the population of 7,035,184 contact hours for 27,716 adult general education instructional students during the audit period, examined District records supporting 3,908 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with State Board of Education (SBE) Rule 6A 10.0381, Florida Administrative Code (FAC).
- Evaluated District procedures for protecting the sensitive personal information of students including social security numbers.
- 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 fiscal year were timely performed pursuant to 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.
- Reviewed organizational charts, audit plans, and audit agendas for the audit period to determine whether the internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(I), Florida Statutes. We also determined whether the internal auditor developed audit work plans based on annual risk assessments considering input from other finance and administrative management.
- Evaluated payments totaling \$165,735 made during the audit period to District employees who worked exclusively for the Broward Education Foundation. We also examined District records supporting the amount outstanding totaling \$226,403, as of June 30, 2018, from the Foundation.
- Examined documentation supporting the District's annual tangible personal property (TPP) physical inventory process to determine whether an annual physical inventory of TPP was performed and the inventory results were reconciled to the property records, appropriate follow-up was made for any missing items, and law enforcement was timely notified for any items that could not be located and considered stolen.
- Evaluated severance pay provisions in all ten applicable employment agreements to determine whether the provisions complied with Section 215.425(4), Florida Statutes.
- From the compensation payments totaling \$1.9 billion to 33,069 employees during the audit period, examined District records supporting compensation payments totaling \$109,628 to 30 selected employees to determine whether the rate of pay was accurate and supervisory personnel reviewed and approved the employees' reports of time worked. In addition, we evaluated District efforts to prevent and detect salary overpayments and to recover salary overpayments when they occur.
- From the population of overtime payments totaling \$12.7 million to 7,210 employees during the audit period, examined District records supporting overtime payments totaling \$19,731 to 19 selected employees to determine whether Board policies and District procedures were adequate, and the supporting documentation evidenced the approval of, and necessity for, the overtime payments.
- Examined District records for the audit period for 15 employees and 15 contractor workers selected from the population of 25,735 employees and 342 contractor workers to assess whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined District records supporting the eligibility of 28 selected District recipients and 2 charter school recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 11,681 District teachers and 1,679 charter school teachers who received scholarship awards totaling \$14.1 million during the audit period.
- Evaluated District procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. In addition, we examined District records to determine whether the District submitted to the 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. We also examined District records supporting eligibility of 6 recipients (4 District and 2 charter school recipients) of the Florida Best and Brightest Principal Scholarship Program

awards from the population of 21 District principals and 7 charter school principals who received scholarships awards totaling \$131,191.

- Determined whether the District followed the January 2018 FDOE guidance to use the applicable portion of funds from the Florida Best and Brightest Teacher Scholarship Program and Florida Best and Brightest Principal Scholarship Program awards to pay the employer payroll taxes related to those awards.
- Evaluated District procedures for informing the District's health insurance program third-party administrator of the eligibility of employee and dependent participants.
- 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 policies and procedures. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of payments totaling \$1.1 million through March 2018 for new software applications, examined documentation supporting one selected payment totaling \$950,193 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 48 significant construction projects with expenditures totaling \$154.6 million and in progress during the audit period, examined documentation for project expenditures of \$40.4 million to determine compliance with Board policies and District procedures and provisions of State laws and rules. Also, for the construction management contract with a guaranteed maximum price (GMP) of \$24.7 million, we:
 - Examined District records to determine whether the construction manager (or contractors) and subcontractors were 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 supporting 19 selected payments totaling \$7.8 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
 - Examined District records to determine whether projects progressed as planned and were cost effective and consistent with established benchmarks, and whether District records supported that the contractors performed as expected.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports. We selected 30 reports with 5,150 noted deficiencies and examined documentation to determine whether the deficiencies had continued from previous years without timely correction.
- From the population of purchasing card (P-card) transactions totaling \$24,487,242 during the period July 1, 2017, through April 10, 2018, examined documentation supporting 30 selected transactions totaling \$219,533 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled P-cards for the 21 cardholders who separated from District employment during the audit period. From the listing of cardholders as of April 1, 2018, we reviewed the reasonableness of all

830 P-cards issued to 524 District employees or departments with monthly purchasing limits of \$20,000 or more.

- For the 52 District employees issued 72 P-cards with purchasing limits greater than \$20,000, and therefore required to file statements of financial interests in accordance with Section 112.3145(1)(a)3, Florida Statutes, we reviewed Florida Department of State, Division of Corporation, records to determine whether the statements of financial interests were filed.
- For the 20 charter schools that were not renewed or were terminated in the 2017-18 or the 2 preceding fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District, whether the District did not assume debts of the school, except as previously agreed upon by the District, and whether the required audits were timely performed.
- Evaluated the sufficiency of District procedures to determine whether District charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For the 5 schools subjected to an expedited review, we examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with the COE pursuant to Section 1002.345(1)(c), Florida Statutes.
- 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 reviewed inspection reports for compliance with Federal and State inspection requirements, evaluated District efforts to timely resolve any deficiencies identified during inspections, and reviewed the work order system for appropriate tracking of maintenance jobs.
- Evaluated District procedures for determining maintenance department staffing needs. We also determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.
- 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.
- Examined District records for the audit period to determine whether the District properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- Examined the contract document 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.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.

- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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

A handwritten signature in blue ink, reading "Sherrill F. Norman". The signature is fluid and cursive, with the first name "Sherrill" and last name "Norman" clearly legible, and "F." as a small initial between them.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

600 Southeast Third Avenue • Fort Lauderdale, Florida 33301 • Office: 754-321-2600 • Fax: 754-321-2719

ROBERT W. RUNCIE
Superintendent of Schools

April 3, 2019

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

Dear Ms. Norman:

Please find below the School Board of Broward County's (the District) responses to the list of preliminary and tentative audit findings and recommendations that were provided to the District on March 5, 2019 regarding the State of Florida Auditor General's operational audit of the Broward County District School Board.

Finding No. 1: Severance Pay

The District and its Office of the General Counsel agree with Finding 1.

Pursuant to Fla. Stat. § 215.425 (4), all employment agreements written after July 1, 2011, must contain a provision that severance pay may not exceed an amount greater than 20 weeks of compensation. For all attorneys in the General Counsel's Office that were hired after July 1, 2011, their individual contracts conform to the requirements of Fla. Stat. § 215.425 (4).

The three individuals noted in the finding, two Deputy General Counsels and an Assistant General Counsel, were all initially hired prior to July 1, 2011. Although the employment contracts for these three individuals had been amended for compensation purposes, provision 5A regarding severance pay had not been updated.

In the future, the Office of the General Counsel will annually monitor changes the Legislature makes to the Florida Statutes to ensure agenda items coming from the Office of the General Counsel are current and adhere to statutes.

The School Board approved revised contracts with severance pay provisions that comply with State law on February 5, 2019, for the two Deputy General Counsels and one Assistant General Counsel. Thus, the District now considers this issue closed.

*Educating Today's Students to Succeed in Tomorrow's World
Broward County Public Schools is an Equal Opportunity/Equal Access Employer*

The School Board of Broward County, Florida

Heather P. Brinkworth, Chair
Donna P. Korn, Vice Chair

Lori Alhadeff
Robin Bartleman
Patricia Good
Laurie Rich Levinson
Ann Murray
Dr. Rosalind Osgood
Nora Rupert

Finding No. 2: Resource Use

This District and its Office of the Chief Financial Officer agree with Finding 2.

The overpayment of teachers was caused by staff that initiated the payments misinterpreting the allocation of funds by the Department of Education. For example, the allocation for a highly effective teacher was \$1,200 per teacher, including the employer's share of payroll tax deductions. Employees received \$1,200 as their gross rather than the amount after employer taxes of \$1,108. The overpayment impacted over 11,000 teachers and was less than \$100 per teacher. The Chief Financial Officer became aware of the overpayment when payroll posted to the general ledger and overdrew the account. Staff that initiated the payments have met with the Finance Staff and corrected the process going forward to avoid overpayments in this area.

The District has upgraded to a more current version of the payroll software. As a next step in significantly improving the payroll process, Finance Staff has undertaken a large-scale review and redesign of the District's payroll processes to align with industry-wide best practices and utilize the full power of SAP. The new process will significantly limit the number of employees who create payroll actions (outside of time and attendance), create a larger bank of reports to review prior to the processing of payroll, and utilize the payroll control center within SAP that was not previously available under the older version of SAP in place until June 30, 2018.

The Chief Financial Officer did include the impact of the overpayment in the second budget amendment to the School Board. The Chief Financial Officer agrees with the Auditor General that the overpayment was not clearly communicated to the School Board as the amendment did not specifically point out the overpayment. Any similar payroll items will be clearly disclosed in Board amendments to the budget going forward. Staff will create processes to minimize overpayments, although for an organization with a payroll that exceeds \$1.4B, they will periodically occur. In the event they occur outside the normal course of business and are material, they will be communicated to the School Board.

On March 29, 2019, the District processed the fiscal 2018-2019 Best and Brightest payments in accordance with the proper employer tax withholding. Thus, the District now considers this issue closed.

Finding No. 3: Audits – School Internal Funds

The District and its Office of the Chief Auditor agree with Finding 3.

The District has hired a new Chief Auditor who has implemented a new strategy for the completion of outstanding school internal fund audit reports from prior years and for the timely completion of school internal fund audits going forward.

The District is committed to the Office of the Chief Auditor and has now better empowered the new Chief Auditor with an increased budget, approval for the use of external auditors, a commitment to the new Chief Auditor's risk approach, and the elevation of the audit function to the Superintendent's Cabinet.

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Although the backlog is a function of limited resources, the occurrence of significant adverse community events, and turnover, the upgraded Office of the Chief Auditor will be positioned to overcome these types of challenges going forward.

As part of the Office of the Chief Auditor strategy:

- (1) the new Chief Auditor obtained School Board approval to engage an external audit firm to assist in completing the outstanding school internal fund audits;
- (2) the Office of the Chief Auditor will hire 4 new additional field auditors; and
- (3) the school internal funds audit program was streamlined for efficiency.

To date, the Office of the Chief Auditor's new strategy has now completed 149 of the 172 of the outstanding school internal funds noted. Since the remaining 23 internal funds audits have been assigned to an outsider audit firm with an expected completion date of June 30, 2019, the District now considers this finding to be substantially closed.

Finding No. 4: Salary Overpayments

This District and its Office of the Chief Financial Officer agree with Finding 4.

The District will continue its efforts to actively recover uncollected salary overpayments.

The District has also upgraded to a more current version of the software for payroll. As a next step in significantly improving the processing of payroll, Finance Staff has undertaken a large-scale review and redesign of the District's overall payroll processes to align with industry-wide best practices and the utilization of the full power of SAP. The new process will significantly limit the number of employees who create payroll actions (outside of time and attendance), create a larger bank of reports to review prior to the processing of payroll, and utilize the payroll control center within SAP that was not previously available under the older version of SAP in place until June 30, 2018.

Additionally, the payroll redesign team is reviewing the business rules implemented at the initial design of SAP and has numerous recommendations around the processing of payroll that will significantly reduce payroll overpayments. These recommendations will be implemented with approval of the necessary funding from the School Board.

Staff will create processes and conduct training to minimize overpayments, although for an organization with a payroll that exceeds \$1.4B, they will occur and cannot be completely eliminated.

Finding No. 5: Purchasing Cards

The District and its Office of Strategy and Operations agree with Finding 5.

The District is committed to the implementation of an overall improvement strategy for the maintenance and management of Purchasing Card (P-Card) Program.

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The P-Card Program is a sub-division within the Procurement & Warehousing Services (PWS) Department. The P-Card Program Coordinator retired in June 2018, and the position is pending fulfillment. The P-Card Program has since been moved under the umbrella of the PWS Operations & Compliance sub-division to allow for greater oversight, improved operations, and heightened levels of visibility and control for all aspects of the program.

Limits/Activity

Currently, cardholders are assigned to a Card Profile within the Bank of America WORKS system. The profile defines the monthly cumulative and single transaction limits for each card. Although the profile is not directly linked to the actual budget available to the cardholder, it allows for flexibility up to the limits of the assigned profile.

As part of the overall improvement strategy, historical P-Card usage for active cardholders is under review to determine if; current Card Profile limits are appropriately assigned, Card Profile limits need to be reduced, and/or cardholder status needs to remain active. Cardholders who have not demonstrated a need for the \$20,000 or more limits will be reassigned to Card Profiles below this threshold. Cardholders with a demonstrated need will maintain the assigned Card Profile but will be directed to complete and submit the Statement of Financial Interest form as required by Section 112.3145(1)(a)3, Florida Statutes. Cardholders with no activity within a fiscal year will be deactivated based on an annual usage review to be performed in June of each fiscal year.

Transactions

Each transaction for each cardholder should be reconciled with monthly statements and supported by receipts, packing slips, and/or other supporting documentation. Additionally, reconciled statements should be signed by the cardholder and approved by the immediate supervisor. Signed statements should be submitted to the P-Card Program staff (PWS) on or before the 15th of each month. With the exception of District maintenance related purchases, documentation for each purchase should also be sent. Regarding P-Cards funded by internal funds, signed statements and the respective backup documentation should be sent to Business Support Center – internal funds staff.

An interim solution to support transactional tracking is currently in development for rapid deployment in order to address findings as soon as possible. The interim solution will use existing reports and a tracking database to monitor transactional behavior and identify areas for improvement. The intention of the solution is to document the collection of signed statements and documentation from each active cardholder. Therefore, the interim solution will document that a supervisor approved each transaction, guaranteeing that said purchases are made for a public purpose.

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Additionally, to identify and remedy any taxes included on transactions, a three-pronged approach is in design. First, the continuous education of cardholders and approvers on District Tax-Exemption status. Furthermore, the Federal Tax exemption ID number is printed on each individual Purchasing card, readily available for communication with suppliers or merchants. This training material will include program requirements, but also accountability measures for repeat non-compliance. Second, through monthly system reports and statements received, identify transactions where taxes were charged, and communicate transaction details and instructions to each cardholder affected and their direct supervisor informing them how to work with suppliers to obtain credits for taxes paid. Finally, if repeat non-compliance is identified and efforts to assist and prevent deactivation have been made with no change in behavior, a recommendation to Cabinet for deactivation of the card will be made. Upon approval, subsequent cardholder deactivation activities will be carried out.

Upon fulfillment of the P-Card Program Coordinator position, and the implementation of available capabilities within the Bank of America WORKS system, the long-term solution will be implemented to gather, store, review, and address any transactional discoveries that do not align with District P-Card Program requirements through the online system increasing accountability and significantly reducing risk.

Cancellations

A manual process is currently in place to address the active or inactive status of P-Card accounts associated with terminated or transferred cardholders. Account status is changed to inactive by P-Card Program staff upon notification of cardholder termination/transfer by cardholder department or through District Board Meetings. Accounts may also be deactivated based on fraud alerts or if cards are reported as lost or stolen. In each case, deactivation of accounts is critical.

To ensure prompt deactivation of terminated/transferred cardholder accounts, an automated method tying P-Card system information to District ERP employee profiles is currently in development. This will operate on a two-fold basis: cardholders will be identified as such in District employee profiles, and changes to employee profiles will automatically notify P-Card Program staff of necessary action on cardholder accounts. If cards are identified as being lost or stolen, either through the P-Card system or by the cardholder, immediate deactivation of the account is completed and documentation for taking this action is digitally stored for future reference.

The new structure of the P-Card program within the Operations & Compliance sub-division of Procurement & Warehousing services has already proven to be a valuable migration. The improvements outlined herein will be documented and communicated to all cardholders before and upon implementation. When fully staffed with the implementation of program enhancements mentioned herein, the District will surely benefit from the results of the ongoing and continuous improvement efforts.

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Finding No. 6: Information Technology User Access Privileges – Sensitive Personal Student Information

The District and its Office of the Chief Information Officer agree with Finding 6.

The District understands the importance of security over information. The District maintains a process for securing sensitive personal student information.

All staff who access student data are approved and have acknowledged the District's policy 5306 – School and District Technology Usage, which speaks directly to the need for staff to protect the personally identifiable information of students. The issues noted were extremely limited and only included to a small number of District employees and were not accessed by outsiders and only pertained to TERMS.

When TERMS was first delivered back in the late 1990's, the State of Florida required school districts to collect social security numbers for students. Over the years, that requirement was removed, but the State never removed the social security number as a field that could be reported to them. Most recently, we only see social security numbers being entered for high school students, particularly those in the 11th and 12th grades. Having the social security number for those students seems to help the student with college applications, enabling the colleges to match up the transcripts we send with the student application they have on file. Having the social security number also seems to help the State's Bright Futures Program match students.

Effective with the start of the 2019-20 school year, we have plans to implement programming changes to TERMS that will mask the student Social Security number. At that time, only the select staff at the school who have the responsibility to enter/update the social security number for students will see the entire number. All other TERMS users will only see the last 4 of the student's social security number, representing a drastic reduction of the number of users who can see the entire number today.

Finding No. 7: Information Technology User Access Privileges – Human Resources, Payroll, and Finance Applications

The District and its Office of the Chief Information Officer agree with Finding 7.

The District understands the importance of proper internal controls over user access.

During our project to upgrade and migrate our SAP ERP system to the cloud, we did engage with a hosting company for the use of their consultants to manage the process. Those consultants were provided with access we felt was consistent with the work they needed to perform. Additionally, there are members of the IT staff and of the Payroll Department that have access to employee information we believe is appropriate to responsibilities.

IT Security personnel conduct a yearly review of user access of all employees with access to SAP systems, with a focus on employees with the highest level of access. The activity

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of those employees is reviewed at that time to determine whether their access is consistent with their responsibilities and changes are made as necessary.

Finding No. 8: Information Technology Security Controls

The District and its Office of the Chief Information Officer agree with Finding 8.

The District recognizes the importance of security controls to protect confidentiality and integrity while also providing data availability for our IT resources to perform their critical responsibilities. We will review our significant data security controls to ensure a proper environment that provides the highest level of security for all District data.

If you have any questions or concerns regarding any of the findings, please contact Joris Jabouin, Chief Auditor, at (754) 321-2400.

Sincerely,



Robert W. Runcie
Superintendent of Schools

RWR/JJ:mm

C: School Board Members
Superintendent's Cabinet

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