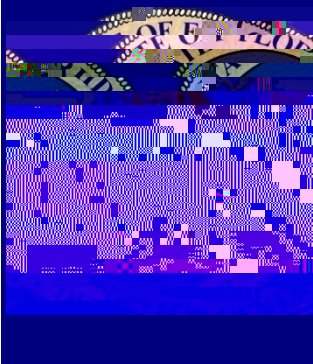


DUVAL COUNTY
DISTRICT SCHOOL BOARD

Operational Audit



BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	District No.
Stan Jordan to 10-5-09 (1)	1
Martha E. Barrett from 10-6-09 (2)	1
Nancy S. Broner, Vice Chair from 11-17-09	2
William C. Gentry	3
Brenda A. Priestly Jackson, Vice Chair to 11-16-09, Chair from 11-17-09	4
Betty Seabrook Burney	5
Victoria L. Drake	6
Thomas L. Hazouri, Chair to 11-16-09	7

William E. Pratt-Dannals, Superintendent

Notes: (1) Effective resignation date
(2) Term start date based on special election

The audit team leader was Randy R. Arend, CPA, and the audit was supervised by John P. Duffy, CPA. For the information technology portion of this audit, the audit team leader was Heidi Burns, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at the Auditor General's Office, 1000 Bay Street, Tallahassee, Florida 32399-1450.

DUVAL COUNTY

District School Board

SUMMARY

Our operational audit disclosed the following:

PERSONNEL AND PAYROLL

Finding No. 1: District records did not evidence that performance assessment procedures for instructional personnel included consideration of student performance, contrary to Section 1012.34(3), Florida Statutes.

Finding No. 2: Leave forms were not always prepared and maintained to document employee absences.

CONFIDENTIAL INFORMATION

Finding No. 3: Controls could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes, regarding notifying individuals of the need for and use of social security numbers.

CONSTRUCTION ADMINISTRATION

Finding No. 4: The District did not use a competitive selection process to obtain architectural services for classroom addition projects at five schools, contrary to applicable laws and rules.

Finding No. 5: Procedural improvements were needed in controls over design-build and construction management projects.

CASH COLLECTIONS

Finding No. 6: The District did not always timely deposit its food service cash collections or follow-up on discrepancies noted between reconciliations of reported cash collections and bank deposits.

EXPENDITURES

Finding No. 7: The District needed to enhance controls over its purchasing card program.

CONTRACT MONITORING

Finding No. 8: The District needed to enhance its procedures for monitoring reimbursements to, and facility-use fees due from, the Schultz Center for Teaching and Leadership.

Finding No. 9: Enhancements were needed in monitoring of insurance for District charter schools.

FACILITY SAFETY

Finding No. 10: The District's annual relocatable inspection report summaries indicated that a substantial percentage of the District's relocatable classrooms did not meet the standards to be rated satisfactory.

INFORMATION TECHNOLOGY

Finding No. 11: The District's management of information technology (IT) access privileges needed improvement.

Finding No. 12: The District's IT security controls related to user authentication and logging of security activity needed improvement.

Finding No. 13: The District's IT security program had not been finalized and the District lacked a security awareness training program to facilitate employee on-going awareness of security responsibilities.

Finding No. 14: The District's IT disaster recovery planning procedures needed improvement.

BACKGROUND

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

Recommendation: The District should enhance its procedures to ensure that performance assessments for instructional personnel include consideration of applicable student performance measures, such as FCAT results.

Finding No. 2: Attendance and Leave Records

Under the District's System Management for Attendance in Real Time (SMART) procedures, contracted full-time employees are compensated on a payroll by exception basis in which gross salary payments will be the same amount from one payroll cycle to the next, unless specific actions are taken to change the scheduled contract hours or rate of pay. Although timesheets are not required for contracted employees, Board policy requires the submission of leave forms for all absences. Hourly employees are required to maintain timesheets evidencing the number of hours worked and to submit a leave form for all absences.

The District transitioned implementation of the SMART procedures from the Payroll Department to middle and high schools during the 2008-09 fiscal year; elementary schools during the 2009-10 fiscal year; and departments during the 2010-11 fiscal year. While decentralizing the attendance and leave reporting, the District im

Section 119.071(5)(a), Florida Statutes, provides, in part, that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is imperative for the performance of the District's duties and responsibilities as prescribed by law. Additionally, this section requires that if the District collects an individual's SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This section also provides that SSNs collected by the District may not be used for any purpose other than the purpose provided in the written statement. This section further requires that the District review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

The District collects SSNs from students, employees and prospective employees, and certain contracted vendors for record keeping and tax related purposes. The District had assigned unique student and employee identification numbers in certain instances to minimize the need for collecting, maintaining, and using SSNs for identification purposes. Additionally, the District established a committee to address the requirements pertaining to its collection of SSNs, and developed a written statement template to be completed with the specific Federal or State law governing the collection, use, or release of SSNs and the purpose for which SSNs are collected on a form-by-form basis.

The District included the required written statement on many of its forms requesting SSNs; however, certain forms did not contain the SSN disclosure and the District did not provide the required written statement to the individuals who completed the forms. These forms included the Teacher Induction; Student Services Induction; Appeals Process (for not satisfactorily completing the teacher induction program); Reimbursement Request for Teacher Certification; Home School Florida Comprehensive Assessment Test Registration; and General Educational Development Exit Option Waiver. Additionally, the Elementary Enrollment and Secondary Enrollment forms required collection of SSNs and included most of the information required to be provided to the individuals providing their SSNs, except the specific Federal or State law governing the collection, use, or release of SSNs and whether the collection was authorized or mandatory.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes. In response to our inquiries, District personnel responsible for the forms generally indicated they were not fully aware of the requirements and that the forms would be modified to comply with the statutory requirements.

Recommendation: **The District should continue its efforts to comply with Section 119.071(5)(a), Florida Statutes.**

Construction Administration

Finding No. 4: Professional Architectural Services

Section 287.055(3), Florida Statutes, requires that the District publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project in which the basic construction cost is estimated by the agency to exceed a specified amount (\$250,000 for the 2009-10 fiscal year). Section 287.055(10), Florida Statutes, provides, in part, that there shall be no public notice requirement or utilization of the selection process as provided in this section for projects in which the agency is able to reuse existing plans from a prior project

of the District or that of any other district. Section 1013.45(4), Florida Statutes, requires that a district school board reuse existing construction documents or design criteria packages if such reuse is feasible and practical, and allows a board to purchase architectural services for the design of educational or ancillary facilities under an existing agreement for professional services held by a distri

The architectural services fees the District negotiated for the four projects did not evidence an economic advantage as compared to the St. Johns County School Board contract. The District negotiated architectural services fees ranging from 5.81 percent of the estimated construction costs for Ed White High to 6.66 percent for Gregory Drive Elementary. Except for the Ed White High project, the negotiated fee for each project exceeded the 5.9 percent fee negotiated by

responsible for all scheduling and coordination in both the design and construction phases and is generally responsible for the successful, timely and economical completion of the construction project. DB and CM firms may also be required to offer a guaranteed maximum price (GMP). The GMP provision allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District.

The District's Facilities Planning and Construction Departme

Budget Item	GMP Approved Amount	Revised Amount	Amount Difference	Percentage
Tools and Equipment	\$ 71,250	\$ 116,250	\$ 45,000	63%
Rental of Motorized Carts	15,000	35,000	20,000	133%
Miscellaneous Rentals	64,000	262,000	198,000	309%
Dumpster	212,500	128,920	(83,580)	-39%
Forklift and Operator	120,000	70,000	(50,000)	-42%
Temporary Toilets	94,112	61,112	(33,000)	-35%
Telecommunications	73,337	48,337	(25,000)	-34%

Upon inquiry, District personnel provided us explanations for the changes and advised us that individual budget items within the overall general conditions budget are only estimates.

Although the District independently performed comparisons of point-of-sale information and deposits, District personnel did not always timely investigate and resolve the differences noted by this process. At Douglas Anderson School of the Arts, District personnel noted that the point-of-sale information and deposits did not agree, and timely detected missing collections, totaling \$5,871.75, representing 9 meal service days in May 2009. However, at Sabal Palm Elementary, District personnel noted differences between the point-of-sale information and deposits for 19 meal service days from October 2009 through May 2010, but did not detect that the differences represented missing collections, totaling \$7,426.70, until May 2010. For the two schools, the District reported the missing collections to law enforcement agencies and, as of September 30, 2010, the former cafeteria managers of the schools had entered into restitution agreements.

Our review of collections and deposits at three schools for the month of February 2010 disclosed that, for one school tested, 3 of 20 cash deposits were not timely provided to the armored car service, and were not posted to the District's bank account until 7 to 9 calendar days after the date of collection. Upon inquiry, District personnel indicated that, although the daily cafeteria cash collections had been placed in the school safe, school personnel were not available to allow the armored car service to retrieve the collections from the safe.

Without timely investigation and resolution of differences between the food service cash collections, and procedures to ensure timely deposit of such collections, there is an

reimbursement to the Center of \$2,870,297 based on the estimated costs of 23 program delivery areas, and reimbursements were funded equally from District operating funds and the Federal Improving Teacher Quality State Grants program. Our review disclosed that the District needed to enhance its procedures for monitoring the Center's compliance with the contract provisions, as discussed below:

Although the Center provided a monthly invoice to the District showing the total expenses charged to each of the 23 program delivery areas and the amount expensed by categories, such as salaries, benefits, professional fees, and supplies, District records did not initially evidence that District funds provided to the Center to cover these costs were expended for authorized purposes, contrary to the contract provisions. Upon request, we were provided the June 2010 profit and loss detail maintained by the Center identifying each expense; however, the report had not been requested by or provided to the District.

The Center charged the District the full cost of its administrative personnel salaries and benefits and other administrative costs such as office supplies, new equipment, data communications, software licenses and support contracts, and printing charges. The District allocated these costs equally among the 23 professional development program delivery areas specified in the program budget, totaling \$1,072,063.52 for the 2009-10 fiscal year. However, by allocating these costs equally to all 23 program areas, it was not evident that the services provided to the District in each program area were commensurate with the funds paid for those services.

The District paid \$80,109.22 to the Center for a 3 percent management fee that was in addition to the full costs of its administrative personnel, although the contract provisions did not address the fee and the Board did not otherwise approve the fee. District personnel indicated that this fee was intended to be compensation to the Center for managing the contract and such compensation was to be in addition to reimbursements for indirect costs; however, since the fee was not specifically authorized, the \$80,109.22 represents questioned costs.

The District reimbursed the Center for certain expenses that did not appear to be necessary and reasonable, or directly related to professional development activities. For example, our review of the June 2010 profit and loss detail disclosed expenses totaling \$34,296.15 that included descriptions such as gifts, gift cards, end-of-year parties, catered meals, other meals, and snacks. Because District records did not evidence the basis upon which such expenses were allowable training program activities, these expenses totaling \$34,296.15 represent questioned costs.

The District did not require the Center to timely remit facility-use fees collected from external organizations. Subsequent to our inquiries, District personnel provided documentation indicating that the Center collected facility-use fees totaling \$2,789.60 during the 2009-10 fiscal year, and remitted these fees to the District in October 2010.

Absent sufficient and appropriate monitoring procedures, the District has limited assurance that payments to the Center, made from public and Federal funds, represented authorized and necessary expenditures, and that the District received all facility-use fees to which it was entitled.

Insurance coverage effective July 1 through June 30 for general liability of \$1 million per occurrence and \$2 million annual aggregate; automobile liability of \$500,000 for bodily injury and \$250,000 for property damage per occurrence; workers' compensation of \$500,000 per occurrence; professional liability of \$1 million per occurrence; property and contents of \$100,000 per occurrence; and fidelity bond of \$100,000 per person.

Renewal or replacement of insurance coverage no less than 30 days before the expiration or termination of the required insurance for which evidence was provided.

The District, board members, employees, and agents of the Board named as additional insureds for the coverage noted.

Subcontractor's evidence of insurance coverage when providing any of the charter school's services with similar limits and additional insured requirements that apply to the school.

A 60-day cancellation notice provision.

The District's School Choice Office is responsible for monitoring the charter schools' compliance with the insurance requirements. As similarly noted in our report No. 2008-084, our review disclosed that the District's monitoring procedures for the eight charter schools could be enhanced, as discussed below:

District records did not evidence that six charter schools maintained one or more required coverages. Contrary to the charter school agreements, four had no record of workers' compensation coverage, including two that used subcontracted payroll services as discussed below; two lacked evidence of automobile liability coverage; two lacked evidence of professional liability coverage; one lacked evidence of property and contents coverage; and three lacked evidence of fidelity bond coverage.

District records indicated a lapse in coverage from the expiration of one policy period (December 4, 2009) to the effective date of the next (March 10, 2010). Upon inquiry, District personnel indicated that the lapse occurred because the position responsible for monitoring insurance was vacant during that period.

District records indicated that four charter schools excluded the District, Board members, employees, and agents of the Board as additional insureds for one or more required types of insurance. For example, three excluded the additional insureds for general and automobile liability insurance; two excluded the additional insureds for property and contents insurance; and one excluded the additional insureds for fidelity bond insurance.

Educational Facilities - 2007, requires that all District relocatable buildings be inspected for compliance with the standards for satisfactory buildings. Annual inspection reports for all relocatables designed as classrooms or spaces intended for student occupancy must be filed with the Board, correction plans must be adopted by the Board, and the inspection report for each relocatable must be posted therein. Relocatables that fail to meet the standards must not be reported as satisfactory in the Florida Inventory of School Houses (FISH). The FISH is an electronic database created and supported by the Florida Department of Education's Office of Educational Facilities to provide record keeping capabilities for all districts' facilities and is used to allocate maintenance funds to school districts. The school districts are responsible for data entry, accuracy, and maintenance.

The District's Code Enforcement Department is responsible for performing the required inspections for relocatable buildings. Upon completion, the inspection reports are provided to the Facilities Planning Department for review and follow-up. The District's relocatable inspection report summaries for the last two fiscal years disclosed the following:

Relocatable Inspection Report Summary			
Fiscal Year	Number of Relocatables	Unsatisfactory Relocatables	Percent Unsatisfactory
2008-09	612	534	87%
2009-10	596	544	91%

The 2009-10 fiscal year inspection report summary projected a cost of \$38.4 million to correct all the deficiencies, including \$36.8 million to provide for 491 relocatables cited for lack of covered walkways, which equates to approximately \$75,000 per relocatable. Further, for 188 unsatisfactory relocatables cited during the 2009-10 fiscal year, the lack of covered walkways was the only deficiency noted. The District reported all of its relocatables, including those listed as unsatisfactory in its annual inspections, as satisfactory student stations in its FISH and in its annual Educational Facilities Plan required by Section 1013.35(2), Florida Statutes, and the Educational Facilities Plan for the 2009-10 fiscal year provided \$100,000 to address relocatable maintenance needs. A similar finding was noted in previous audit reports, most recently in our report No. 2008-084.

Upon inquiry, District personnel indicated that the estimated cost of providing covered walkways should have been reported as \$17.2 million, or \$35,000 per relocatable, and that certain actions have been taken to reduce the number of unsatisfactory relocatables, including allocating \$100,000 annually in the Educational Facilities Plan to address maintenance needs other than covered walkways, removing 33 of the 45 wood-constructed relocatables from inventory, and beginning construction of permanent classroom additions at five schools to replace 47 existing relocatables.

Recommendation: **The District should continue its efforts to bring relocatables used as classrooms into compliance with State standards and ensure that only relocatables that meet standards are reported as satisfactory in the FISH.**

Information Technology

Finding No. 11: Management of Access Privileges

Access controls are intended to protect information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls provide personnel access to IT resources based on a

Recommendation: The District should be more restrictive in the granting of access privileges to ensure that access privileges are compatible with assigned job responsibilities and promote appropriate separation of duties. Additionally, the District should improve its review of the appropriateness of access privileges and timely remove or adjust any inappropriate access detected.

Finding No. 12: Security Controls

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain security controls related to user authentication and logging of security activity that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Similar issues regarding user authentication were noted in connection with our report No. 2008-084.

Without adequate security controls related to user authentication and logging of security activity, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

Finding No. 13: District Security Program

An entitywide program for security planning and management is the foundation of an entity's security control structure and a reflection of senior management's commitment to addressing security risks. The program establishes a framework and continuing cycle for assessing risk, developing and implementing effective security procedures, and monitoring the effectiveness of procedures. Practices that help ensure that information security policies address current risks include promoting security awareness and monitoring the effectiveness of the policies and controls.

As similarly noted in our report No. 2008-084, the District had not finalized a security program, including a risk management framework to ensure the continued identification and documentation of its vulnerability assessment and management of identified risks through defined policies and procedures. As of September 3, 2010, the District's Information Systems Security Program (ISSP), including responsibilities, policies, procedures, and protocols supporting the program remained in draft form. In addition, the District did not have a security awareness training program in place to facilitate employees' on-going awareness education and training on security responsibilities, including data classification and acceptable or prohibited methods for storage and transmission, password protection and workstation controls, and security incident response and reporting.

A formal security program, including a documented risk framework, is necessary to evidence the District's exercise of due diligence with regard to appropriate security practices in the management, use, planning, development, maintenance, and operation of information systems. Additionally, the establishment of associated policies and procedures and security awareness training reduces the risks for inadequate or inconsistently applied controls and unclear, misunderstood, and improperly implemented responsibilities that could result in insufficient protection of sensitive or critical resources.

Recommendation: The District's ISSP should be completed and implemented along with supporting policy, protocols, and compliance measures to mitigate the identified risks and maintain the confidentiality, integrity, and availability of information resources. Management should also promote security awareness through on-going training programs.

Finding No. 14: Disaster Recovery Plan

Disaster recovery planning is an element of IT controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. The primary objective of disaster recovery planning is to provide the entity a plan for continuing critical operations.

Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2009-10 fiscal year.

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

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EXHIBIT B MANAGEMENT'S RESPONSE

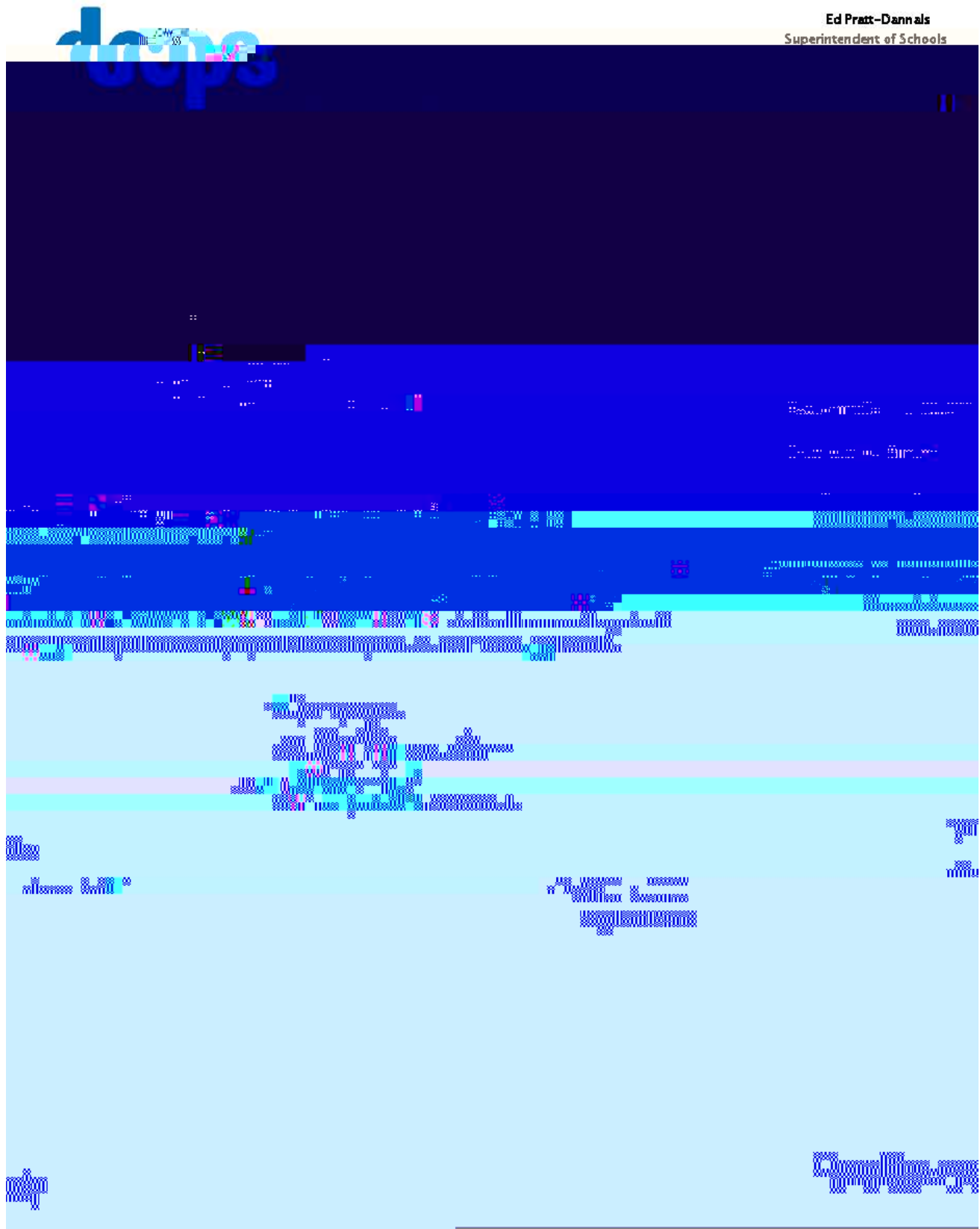


EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

PERSONNEL AND PAYROLL

Finding No. 1: District records did not evidence that performance assessment procedures for instructional personnel included consideration of student performance, contrary to Section 1012.34(3), Florida Statutes.

District Response: The District concurs with the overall recommendation. This finding states that instructional personnel in the District were not evaluated primarily based on student performance using data such as Florida Comprehensive Assessment Test (FCAT) scores as required by Section 1012.34(3). The current assessment for instructional personnel contains nine competencies. Three of the nine components used in the assessment process encompass behaviors that are significantly based on student performance. Principals use their knowledge about how a teacher's students perform on FCAT and other state and district assessments and take this knowledge into account when assessing teachers on Competencies A, B, and C. These three competencies comprise 47% of the total points for all competencies in the assessment.

If the statute is being interpreted to mean that these competency measures are too subjective and that the sole way to comply with the Statute is an objective metric based on FCAT, then there were timing issues with the delivery of the FCAT scores to the District as noted in the finding. Individual FCAT scores were not available to the District until early July, 2010. This finding states that evaluations could have been held until after these scores arrived so that the assessments would be more complete and would effectively communicate the teacher's accomplishments or shortcomings. Completing teacher evaluations after school is out is not workable since teachers are often not even in the district during the summer. Also, delaying employment decisions about whether or not teachers are renewed until July makes it very difficult for principals to plan for the upcoming year since the make-up of their staffs would not be known until the middle of the summer. Finally, professional development would have to be held until after the scores are sent and evaluations completed, causing a loss of valuable summer instructional time for the teachers.

The District is currently in the process of working with the teachers' union to develop a new assessment instrument that will meet the requirements of Race to the Top and the Teacher Incentive Fund Grant. The assessment required by these

DECEMBER

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