

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2018-156  
March 2018

**PINELLAS COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2016-17 fiscal year, Dr. Michael A. Grego served as Superintendent of the Pinellas County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
Joanne Lentino from 11-22-16	1
Janet R. Clark through 11-21-16	1
Terry Krassner, Vice Chair through 11-21-16	2
Peggy L. O'Shea, Chair	3
Eileen Long from 11-22-16	4
Dr. Ken Peluso through 11-21-16	4
Carol J. Cook	5
Linda S. Lerner	6
Rene Flowers, Vice Chair from 11-22-16	7

The team leader was Elba M. Guzik, CPA, and the audit was supervised by Rachel P. Sellers, CPA. Please address inquiries regarding this report to Micah E. Rodgers, CPA, Audit Manager, by e-mail at [micahrodgers@aud.state.fl.us](mailto:micahrodgers@aud.state.fl.us) or by telephone at (850) 412-2905.

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# PINELLAS COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the Pinellas County School District (District) focused on selected District processes and administrative activities and included a follow-up on applicable findings noted in our report No. 2015-130 and the 2015-16 fiscal year financial audit report. Our operational audit disclosed the following:

**Finding 1:** District procedures did not provide, before payments for construction management entity (CME) services, for comparisons of CME pay requests to subcontractor bids and contracts for the Largo High School Replacement Facility Project (Largo Project) totaling \$55.4 million. In addition, the District did not verify that the subcontractors that provided and were paid for subcontractor services were the subcontractors selected through the competitive selection process.

**Finding 2:** The District did not verify the licenses of subcontractors before they commenced work on the Largo Project.

**Finding 3:** The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

**Finding 4:** The District did not always timely correct deficiencies noted in annual facility and relocatable inspection reports.

**Finding 5:** Controls over maintenance, warehouse, and transportation inventories continue to need improvement.

**Finding 6:** Procedural enhancements are needed to ensure compliance with workforce education programs fund restrictions. A similar finding was noted in our report No. 2015-130.

**Finding 7:** Controls over contractual services and related payments continue to need improvement.

**Finding 8:** The District did not always timely cancel purchasing cards after cardholders separated from District employment.

**Finding 9:** Information technology (IT) access privileges of employees who separated from District employment were not always timely deactivated.

**Finding 10:** Some unnecessary IT user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur. In addition, the District did not document that periodic reviews of assigned IT access privileges were conducted to determine whether such privileges were necessary and to ensure the timely removal of any inappropriate access privileges detected.

## ***BACKGROUND***

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The Pinellas 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 Pinellas County. The

governing body of the District is the Pinellas 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 2016-17 fiscal year, the District operated 136 elementary, middle, high, and specialized schools; sponsored 17 charter schools; and reported 101,057 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on applicable findings noted in our report No. 2015-130 and the 2015-16 fiscal year financial audit report. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2017, were presented in a separate report.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Monitoring Construction Pay Requests**

Under the construction management entity (CME) process, contractor profit and overhead are contractually agreed upon, and the CME is 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. The CME may be required to offer a guaranteed maximum price (GMP), which 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. To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to successful completion of GMP contracts, it is important that District personnel verify that the subcontractors selected using a competitive selection process are the subcontractors that provide and are paid for the services. Effective procedures also ensure that the CME pay requests agree with supporting documentation such as subcontractor bid awards, contracts, and invoices.

The Board approved a construction contract in January 2014 with a CME for the Largo High School Replacement Facility Project (Largo Project) and, in December 2014, the Board amended the contract to establish a GMP of \$23.5 million. The Board approved a second amendment in February 2015 increasing the GMP by \$31.1 million and a third amendment in June 2017 increasing the GMP by \$800,000 for a total Largo Project cost of \$55.4 million. To evaluate District monitoring controls over CME pay requests, we inquired of District personnel and examined District records supporting selected expenditures totaling \$1 million, including \$862,702 paid to the CME for subcontractor services.

In response to our inquiries, District records were provided to evidence that District personnel attended the subcontractor bid award openings to verify that a competitive selection process was followed. In addition, District personnel indicated that, upon receipt of a CME pay request, the District Project Coordinator compared cost line items on the CME pay request schedule of values to the GMP contract and subcontractor invoices, verified the mathematical accuracy of the request, and also verified that prior payments were properly accumulated. However, District personnel did not verify that the subcontractors paid for the services were the subcontractors selected through the competitive selection process. Additionally, as further discussed in Finding 3, District records did not evidence comparisons of general conditions costs billed in the CME pay requests to appropriate supporting documentation.

In addition, the Board contracted with a certified public accounting (CPA) firm to audit the propriety of GMP contract payments and prepare a comparison of CME pay requests to subcontractor contracts, after the project is completed. However, the Board-approved engagement letter with the CPA firm did not require the firm to compare applicable amounts billed in the CME pay requests to the subcontractor bid awards to ensure that the amounts were paid to subcontractors selected using a competitive selection process. Also, since the CPA firm services were to be provided after the CME services were rendered and payments made to the CME, the District's ability to recover any overpayment amounts may be limited.

For the \$862,702 paid to the CME for subcontractor services and included in the expenditures we selected for testing, we requested, and in July 2017 the District obtained from the CME for our review, the subcontractor bid awards and contracts supporting the selected expenditures. While our review disclosed that the selected CME pay requests were consistent with the subcontractor bid awards and contracts, our procedures cannot substitute for the District's responsibility to properly monitor CME pay requests for subcontractor services.

Absent verification that subcontractors are selected using a competitive selection process and a documented comparison of each line in the schedule of values for each CME pay request to subcontractor bid awards and contracts, there is an increased risk that the District may overpay for services and may not realize maximum cost savings under GMP contracts.

**Recommendation: The District should enhance procedures for monitoring CME pay requests to include verification that the subcontractors that provide and are paid for services are the subcontractors that were selected through the competitive selection process. In addition, such procedures should include a documented comparison of the cost items in the CME pay requests to supporting documentation, including, as applicable, subcontractor bid awards and contracts, before payment is made to the CME.**

## **Finding 2: Subcontractor Licenses**

State law<sup>1</sup> provides that a CME must consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law<sup>2</sup> also establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors.

District personnel indicated that the CME verified the licenses of the 65 subcontractors that performed services for the Largo Project; however, District personnel did not request documentation of that verification. We selected 7 subcontractors and verified through online licensing searches that the 7 subcontractors were properly licensed. Subsequent to our procedures, District personnel requested and the CME provided evidence confirming that the 7 subcontractors were appropriately licensed. However, at the time of our verification and the District's confirmation, these subcontractors had already

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<sup>1</sup> Section 1013.45(1)(c), Florida Statutes.

<sup>2</sup> Chapter 489, Florida Statutes.

commenced work on the Largo Project and the District had not made any effort to verify or confirm the licensure of the other 58 subcontractors.

Timely documented verifications that subcontractors are appropriately licensed provides the District assurance that the subcontractors who will be working on District facilities meet the qualifications to perform the work for which they are engaged.

**Recommendation: The District should enhance procedures to verify and document that subcontractors are appropriately licensed before the subcontractors commence work on District facilities. Such procedures could include documented verification through online licensing searches or appropriate evidence of the CME's confirmation of licensure.**

### **Finding 3: General Conditions Costs**

GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts.

The CME GMP contract amendments for the Largo Project included provisions for general conditions costs totaling \$2.8 million and CME pay requests referenced these costs as they were incurred. However, according to District personnel, the District had not established policies or procedures for effectively negotiating and documenting the reasonableness of general conditions costs. Further, although we requested, District records were not provided to document the methodology used and factors considered during the negotiation process to establish the reasonableness of the Largo Project's general conditions costs.

According to District records, the Board contracted with a CPA firm to test the propriety of general conditions costs after the completion of the construction project. While this process would serve as a detective control to identify fraud or errors associated with payments for general conditions costs, the process could be enhanced by obtaining detailed documentation, such as CME payroll records or copies of CME-paid invoices, to verify the general conditions costs before payments to the CME are made.

As part of our audit, we requested for examination District records supporting a payment to the CME for general conditions costs totaling \$45,837. However, neither CME personnel time sheets, CME-paid invoices, or other records were provided to support these costs and District personnel could not explain how the amount was calculated. For contracts that include general conditions costs, appropriate policies and procedures include, for example:

- Comparing proposed general conditions costs to those of similar projects, including similar projects at other school districts.
- Negotiating with the CME to determine a reasonable amount for total budgeted general conditions costs.

- Verifying that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices, and confirming that the costs comply with the CME GMP contract.

Absent appropriate policies and procedures, the District may be limited in its ability to monitor the reasonableness of general conditions costs and to determine the propriety of pay for general conditions costs or to realize cost savings associated with general conditions costs in GMP contracts.

**Recommendation: The District should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs. In addition, the District should ensure that sufficiently detailed documentation, such as CME payroll records or copies of CME-paid invoices, is verified to support the general conditions costs included in CME pay requests before payments are made to the CME.**

#### **Finding 4: Annual Facility and Relocatable Inspections**

State law<sup>3</sup> requires the District to provide for periodic inspection of each educational and ancillary plant at least once during each fiscal year to determine compliance with standards of sanitation and casualty safety prescribed in the State Board of Education rules. In addition, fire safety inspections are required to be performed annually by persons certified by the Division of State Fire Marshal as being eligible to conduct fire safety inspections in public and ancillary plants. State law<sup>4</sup> also requires the District to provide for annual inspections for all satisfactory relocatables designed for classroom use or being occupied by students. The relocatable inspections include requirements relating to, for example, tie-downs, structural integrity, weatherproofing, and accessibility.

During the 2016-17 fiscal year, the District obtained the required annual inspection for the 26 schools and 120 other educational and ancillary plant facility sites, including the 629 relocatables located at applicable sites. To determine whether the District took timely actions to correct deficiencies noted in previous inspection reports, we compared the 2016-17 fiscal year inspection reports with previous year inspection reports and found that, for:

- 12 of the 26 schools (excluding relocatables) the inspection reports disclosed 167 deficiencies related to safety risks that remained uncorrected for 2 or more years after the date the inspections were performed. The safety risk deficiencies included, for example, unmaintained fire alarm systems, uninstalled fire alarm heat detectors, blocked entrances and windows, and combustible materials. In response to our inquiries in September 2017, District personnel indicated that inspectors did not always determine whether work orders were timely completed and could not explain why the deficiencies had not been corrected.
- 30 of the 629 relocatables the inspection reports disclosed 11 relocatables with 17 deficiencies that remained uncorrected for 2 years. The deficiencies included, for example, exterior wall damage, blockage of distribution panel, and loose straps for tie downs and anchors. In response to our inquiries in September 2017, District personnel indicated that they did not have work orders for some of the uncorrected deficiencies and that, although the schools were advised of the

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<sup>3</sup> Section 1013.12(2), Florida Statutes.

<sup>4</sup> Section 1013.20(2), Florida Statutes.

deficiencies that needed correction, no documentation was available to indicate the deficiencies were corrected or the progress of any corrective actions.

Timely correction of deficiencies noted in inspection reports regarding District facilities and relocatables is important to reduce risks to the occupants' health and safety and to avoid additional costs in the future.

**Recommendation: The District should ensure that deficiencies identified in annual inspection reports are timely corrected.**

### **Finding 5: Inventories**

At June 30, 2017, the District Maintenance, Warehouse, and Transportation Department inventories totaled \$1.4 million, \$1 million, and \$895,206, respectively. Effective controls over inventories appropriately separate the duties of employees who access the inventories from the duties of employees who maintain perpetual inventory records, approve inventory purchase requisitions, conduct periodic physical inventory counts, and reconcile the counts to the perpetual inventory records. In addition, to help ensure the accuracy of perpetual inventory record adjustments and reduce the risk of fraud associated with inventory, it is important to document timely supervisory approval before adjustments are recorded.

As similarly noted in our report Nos. 2015-130 and 2012-150 and in District Auditing and Property Records Department reports,<sup>5</sup> our examination of District inventory records and discussions with District personnel disclosed that controls over the District Maintenance, Warehouse, and Transportation Department inventories continued to need improvement. Specifically, we found that:

- The five employees in the Maintenance Department, three employees in the Warehouse Department, and seven employees in the Transportation Department had unrestricted access to the respective department's inventories and maintained perpetual inventory records over the inventories. While District procedures provide for periodic physical inventory counts to reconcile to the perpetual inventory records, these counts have limited value as the same employees who coordinate the counts also maintained the perpetual inventory records.
- Two Maintenance Department employees, two Warehouse Department employees, and four Transportation Department employees with unrestricted access to the respective department's inventories had the authority to approve purchase requisitions. While the Purchasing Department independently approves purchase requisitions for goods or services ordered for all three departments, the ability for employees to access inventories and approve purchase requisitions increases the risk that purchase requisitions may be initiated for non-District purposes.
- District records did not always demonstrate supervisory review and approval of inventory record adjustments. As noted in our report No. 2015-130, we were advised that District personnel independent of the inventory process began documenting reviews of inventory purchases and adjustments to these inventories. As part of our audit, we requested for examination District records supporting 30 selected perpetual inventory record adjustments from the population of 10,122 perpetual inventory adjustments recorded during the 2016-17 fiscal year for the Warehouse, Maintenance, and Transportation Departments. We found that, for Warehouse and Transportation Departments' perpetual inventory record adjustments, 12 adjustments did not evidence supervisory review approval and 5 other adjustments did not evidence timely approval

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<sup>5</sup> District Auditing and Property Records Department report Nos. 2016-006, 2016-007, and 2016-008.



as the approvals were dated 12 to 152 days after the adjustments were entered into the perpetual inventory system.

In response to our inquiries, District personnel indicated that deficiencies in District controls over inventories have continued over several years due to staff turnover and staffing constraints.

An inappropriate separation of duties and the lack of timely approval for adjustments to the inventory records increases the risk that errors or fraud, should they occur, may not be timely detected and resolved.

**Recommendation: The District should provide for an appropriate separation of duties over the District’s Maintenance, Warehouse, and Transportation Department inventories, and timely supervisory approval of perpetual inventory adjustments.**

### **Finding 6: Workforce Education Program Funds**

Pursuant to State law,<sup>6</sup> the District receives funding for a workforce education program. General Appropriations Act<sup>7</sup> proviso language provides that workforce education program funds shall not be used to support K-12 programs or District K-12 administrative indirect costs. The District uses workforce education program funds and adult education tuition and fees to provide adult education programs at various postsecondary career technical centers and adult general education locations. For the 2016-17 fiscal year, the Legislature appropriated workforce education program funding of \$27.4 million to the District and expenditures for this program totaled \$27.4 million.

To determine the propriety of workforce education program expenditures for the 2016-17 fiscal year, we requested for examination District records supporting 30 selected expenditures (24 salary expenditures and 6 other expenditures) totaling \$2.3 million. However, District records, such as employee-prepared periodic certifications, personnel activity reports, or other documentation, were not provided to support the workforce education program salary and benefit expenditures totaling \$137,355 for four employees. We expanded our procedures and interviewed the four employees to determine the extent, if any, that the employees provided services related to the workforce education program. We determined that \$58,905 associated with the salaries and benefits of four employees, as listed in Table 1, represented questioned costs to the workforce education program.

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<sup>6</sup> Section 1011.80, Florida Statutes.

<sup>7</sup> Chapter 2016-66, Laws of Florida, Specific Appropriations 10, 120, and 122.

**Table 1**  
**Workforce Education Program**  
**Salary and Benefit Questioned Costs**

**2016-17 Fiscal Year**

Employee Title	Total Costs (A)	Percentage Charged to Workforce (B)	Costs Charged to Workforce (A) X (B) (C)	Percentage Per Audit Interviews (D)	Allowable Costs (A) X (D) (E)	Questioned Costs (C) – (E) (F)
Curriculum Specialist	\$101,226	50.0276	\$50,641	20	\$20,245	\$30,396
School Counselor	38,449	27.3349	10,510	-	-	10,510
Curriculum Specialist	92,095	50.0000	46,048	40	36,838	9,210
Technology Programs Specialist	106,836	28.2264	30,156	20	21,367	8,789
<b>Totals</b>	<b><u>\$338,606</u></b>		<b><u>\$137,355</u></b>		<b><u>\$78,450</u></b>	<b><u>\$58,905</u></b>

Sources: District records, employee interviews, and auditor calculations.

Our discussions with District management about these questioned costs disclosed that the two curriculum specialists and the technology programs specialist were responsible for curriculum support for workforce education program teachers in grade 6 through adult education. According to District management, the time these three employees spent on workforce education programs varied based on the issues and support needed and no method was in place to allocate the employees' time. District management also indicated that the school counselor worked at the school support level so the extent of the workforce education program services provided by the employee was unknown. Notwithstanding District management's explanations, absent employee-prepared periodic certifications, personnel activity reports, or other documentation evidencing the time employees devoted to workforce education program activities, there is an increased risk that personnel costs may be inappropriately charged to the program.

Subsequent to our inquires in August 2017, the District recalculated the salaries charged to the workforce education program for the four employees and refunded \$28,993 to the workforce education program. However, although we requested, District records were not provided to evidence how the amount refunded reconciled to the time these employees spent for workforce education program activities. As such, questioned costs totaling \$29,912 (\$58,905 less the \$28,993 refunded) remain. A similar finding was noted in our report No. 2015-130.

**Recommendation: The District should enhance procedures to maintain periodic certifications, personnel activity reports, or other records to support the time employees devote to the workforce education program and demonstrate that program funds are used only for authorized purposes. In addition, the District should document to the Florida Department of Education the allowability of the questioned costs totaling \$29,912, or restore that amount to the program.**

**Finding 7: Contractual Services**

Effective contract management ensures that contract provisions establish required services and related service times and that contracted services are satisfactorily received before payment. The Board routinely enters into contracts for services, and internal controls have been designed and implemented

that generally ensure that, prior to payments, District records evidence satisfactory receipt of services and reconciliations of charges with contract terms and conditions.

For the 2016-17 fiscal year, District contractual services payments totaled \$26.8 million and, to determine the propriety of these payments, we examined District records, including related contracts, supporting 30 payments totaling \$2.1 million, including payments for security services provided by the Pinellas County Sheriff's Office (PCSO) and two city police departments and payments for healthcare agency services. We found that controls over payments for contractual services could be improved. Specifically, we found that:

- District procedures had not been established to require and ensure that school personnel with direct knowledge of school resource officer (SRO) services confirmed receipt of the services. Pursuant to State law,<sup>8</sup> the Board contracted for the 2016-17 fiscal year with the PCSO and two city police departments for 21 SROs to provide security services at 18 District schools. The three contracts identified the SROs' daily work locations and assigned each SRO to a particular school on a full-time basis on the days and hours that school was in session.

The contracts required the District to pay annual payments totaling \$1.1 million for the contract period and the District made periodic payments for the services based on PCSO and city police department invoices. District personnel indicated that the District relied on the employing agencies to monitor the SROs' attendance and timekeeping and the SROs were not contractually obligated to sign in at the schools.

- District procedures had not been established to require and ensure school personnel with direct knowledge of other security services confirmed receipt of the services. During the 2016-17 fiscal year, the Board contracted with the PCSO to provide security services at an hourly rate at various high school athletic games and paid \$52,398 for the services. For example, the District paid \$1,757 for the PCSO to provide security at a high school football game. However, in response to our request for documentation to support the amount paid by the District for the hours worked by the seven officers at the game, District personnel stated that the school administration at the game was responsible for verifying that the officers assigned were on duty for their scheduled time and confirming the accuracy of the PCSO invoice. In addition, District personnel indicated that they relied on the PCSO to maintain time records to demonstrate the work efforts of these individuals.
- The Board contracted with a healthcare agency to provide nursing services at an hourly rate for a student who required a nurse to accompany him during transportation to and from school and throughout the school day. The District was billed \$29 per hour for the nursing services during the months of December 2016 and January 2017 and the District paid a total of \$3,787 for 130.6 hours of services. Although District records evidenced that District personnel verified receipt of the services prior to payment, we noted that the agency billed and the District paid for 48.2 hours on days that the school was either closed or the student did not attend, resulting in overpayments totaling \$1,398. In response to our inquiry, District personnel stated that this error was due to an oversight and District personnel examined other charges from the agency and indicated this was the only overpayment. Subsequent to our inquiry in August 2017, the District requested and in September 2017 received reimbursement from the healthcare agency for the overpayment.

Absent effective procedures requiring, prior to payment, documented confirmation that services were satisfactorily received and complied with the contract provisions, there is an increased risk that

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<sup>8</sup> Section 1006.12, Florida Statutes.

overpayments may occur or that the services provided may not be consistent with Board expectations. A similar finding was noted in our report No. 2015-130.

**Recommendation: The District should enhance procedures requiring, prior to payment for services, documented confirmation that services were satisfactorily received and complied with applicable contract terms and provisions.**

#### **Finding 8: Purchasing Card Program**

The District uses purchasing cards (P-cards) to expedite the purchase of selected goods and services. The Board policy provides that P-cards offer an alternative to existing procurement processes and provide a convenient, efficient method of purchasing supplies and non-tagable assets. Purchases made with these cards are subject to the same rules and regulations that apply to other District purchases and are subject to additional requirements specified in the District *P-Card Manual*. The *P-Card Manual* requires that, when an employee separates from District employment, the cost center coordinator is to immediately collect and return the card for cancellation. District procedures also require employees to resolve any disputed charges within 60 days after purchase.

For the 2016-17 fiscal year period, the District had P-card expenditures totaling \$5.6 million and, as of June 30, 2017, 1,022 P-cards were in use. To determine whether the District promptly canceled applicable P-cards, we examined District records for all 25 cardholders who separated from District employment during the period. We found that the District did not timely cancel the P-cards for 13 of the 25 cardholders as the P-cards were canceled 5 to 357 days, or an average of 57 days, after the employees' separation dates.

In response to our inquiries, District personnel indicated that the cost centers did not follow established procedures for prompt cancellation of these P-cards. Although our examination of the P-card activity for the 13 former employees did not identify any purchases made after the cardholders separated from District employment, 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 remind the cost center coordinators of their responsibility to comply with the *P-card Manual* cancellation procedures and ensure the timely cancellation of a P-card upon a cardholder's separation from District employment.**

#### **Finding 9: Information Technology – Timely Deactivation of User Access Privileges**

Effective management of information technology (IT) user access privileges includes the timely deactivation of IT access privileges when an employee is reassigned or separates from employment. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

District procedures provide that, when an employee separates from District employment, Human Resource (HR) Department personnel are to enter separation dates into the HR System to notify Technology and Information Systems (TIS) Department personnel. Once notified, TIS Department personnel remove the individual's membership from the active directory and the TIS Server Team

deactivates the HR System accounts of the individual. However, according to District personnel, there is a 10 to 30 day waiting period for the account to disable as employees require access to their employment information until they receive their last paycheck. Consequently, the District did not immediately deactivate an individual's account access upon separation from District employment.

Our examination of District records related to 12 of the 29 employees who had access to District finance or HR applications and separated from District employment during the 2016-17 fiscal year disclosed that 7 of the 12 employees continued to have access 33 to 209 days, or an average of 109 days after their employment separation dates. While our procedures did not disclose that any of these 7 employees accessed the finance or HR applications after their employment separation date, we noted that 2 of the 7 former employees had the ability to create and approve purchase orders and 1 of the 7 former employees had the ability to make payroll changes.

In response to our inquiries in September 2017, District personnel indicated that the HR System was antiquated and the District was in the process of acquiring a new system that would automatically disable employee access upon employment separation. Although our procedures did not disclose any errors or fraud as a result of the untimely deactivations, without timely removal of access privileges, the risk is increased that access privileges may be misused by former employees or others.

**Recommendation:** The District should enhance procedures to ensure that access privileges are promptly deactivated upon a user's separation from District employment.

#### **Finding 10: Information Technology – User Access Privileges to Student Records**

The Legislature has recognized in State law<sup>9</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals, or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status. Effective controls restrict employees from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic reviews of employee IT user access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,<sup>10</sup> the District identified each student using a Florida education identification number assigned by the Florida Department of Education (FDOE). However, student SSNs are included in the student records maintained within the District's management information system (MIS) to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure and to enable the District to provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies<sup>11</sup> allow designated District school personnel access to student records to perform administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with applicable Florida

<sup>9</sup> Section 119.071(5)(a), Florida Statutes.

<sup>10</sup> Section 1008.386, Florida Statutes.

<sup>11</sup> Board Policy 8330, Student Records and Board Policy 8350, Confidentiality.

Statutes, State Board of Education rules, and Federal laws and District employees are required to certify that they will comply with these requirements.

As of July 2017, the MIS maintained the SSNs for 290,000 former and 60,000 current District students and 1,104 District employees had IT user access privileges to the student records that contain student SSNs. District personnel indicated that annual reviews of IT user access privileges to student information are performed to help monitor these privileges; however, although we requested, District records were not provided to evidence that such reviews had been performed.

As part of our audit, we requested District records for 30 selected employees who had access to student SSNs to determine whether the employees needed such access to perform their assigned duties. We found that 24 employees, such as teachers, other instructional personnel, and food service personnel, had unnecessary access to student SSNs in the District MIS. In response to our inquiries, District personnel confirmed that the access was unnecessary and, in July 2017, the District removed the access privileges for the 24 employees. In addition, District personnel indicated that, as of October 2017, a review of IT user access privileges was performed and an additional 480 employees' access privileges to student SSNs was removed. District personnel also indicated that student information, including SSNs, are indefinitely maintained in the District MIS and there was not a mechanism to differentiate access privileges to current student information from access privileges to former student information.

The existence of unnecessary access privileges and lack of documented periodic reviews of IT user access privileges to student SSNs increase the risk of unauthorized disclosure of student SSNs and the possibility that sensitive personal information may be used to commit a fraud against District students or others.

**Recommendation: To ensure access to confidential student information is properly safeguarded, the District should continue efforts to:**

- **Document periodic reviews of IT user access privileges to determine whether such privileges are necessary and to ensure the timely removal of any inappropriate or unnecessary access privileges detected.**
- **Update the District MIS to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.**

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

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The District had taken corrective actions for applicable findings included in our report No. 2015-130 except as noted in Findings 5, 6, and 7 and shown in Table 2.

**Table 2**  
**Findings Also Noted in Previous Audit Reports**

Finding	2013-14 Fiscal Year	2010-11 Fiscal Year
	Operational Audit Report No. 2015-130, Finding	Operational Audit Report No. 2012-150, Finding
5	2	13
6	9	Not Applicable
7	8	Not Applicable

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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

We conducted this operational audit from June 2017 to October 2017 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 applicable findings included in our report No. 2015-130 and the 2015-16 fiscal year financial audit report.
- 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 2016-17 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 the District's 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, system backups, and disaster recovery.
- Reviewed District procedures for maintaining and reviewing access to IT resources. We examined District records supporting selected access privileges to the District's enterprise resource planning (ERP) system and finance and human resources (HR) applications during the audit period to determine the appropriateness and necessity of the access privileges based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. Specifically, we:
  - Tested the 17 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 15 accounts.
  - Tested the 11 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 710 accounts.
- Evaluated District procedures for protecting student social security numbers (SSNs). Specifically, from the population of 1,104 individuals who had access to student SSNs, we examined the access privileges of 30 selected employees to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Reviewed District procedures to prohibit former employees' access to electronic data files. We also reviewed selected user access privileges for 30 of the 1,814 employees who separated from



District employment during the audit period to determine whether the access privileges had been timely deactivated.

- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.
- Reviewed 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's business system.
- Evaluated the adequacy of District policies and 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's data center.
- Interviewed District personnel to determine whether the District effectively monitored charter schools.
- Examined Board, committee, and advisory board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2017, to determine whether the total was less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures to determine the ability of the District to make future debt service payments.
- Analyzed the District's food service program financial condition for the audit period.
- Reviewed all investment transactions for the audit period, including 15 purchases totaling \$224.1 million and 6 sales totaling \$96.8 million to determine whether transaction confirmations evidenced timely review and approval by management.
- From the population of expenditures totaling \$67.8 million and transfers totaling \$34.8 million during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital outlay resources, examined documentation supporting selected expenditures and transfers totaling \$12.2 million and \$31 million, respectively, to determine compliance with the restrictions imposed on the use of these resources. We also examined District records supporting selected restricted capital outlay resource transfers totaling \$20.3 million for the 2014-15 and 2015-16 fiscal years.
- Selected 30 expenditures totaling \$2.3 million from the population of \$25.5 million total workforce education program funds expenditures for the audit period and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs). In addition, we requested for examination District records supporting the time and effort that employees devoted to workforce education programs.
- From the population of 314 industry certifications eligible for performance funding that were attained by students during the 2015-16 and 2016-17 fiscal years, examined 30 selected certifications to determine whether the District maintained documentation for student attainment of the industry certifications.

- From the population of 799,068 contact hours for 5,171 adult general education instructional students during the Fall 2016 term, examined District records supporting 4,659 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.
- Examined the District Web site to determine whether the 2016-17 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 2014-15 and 2015-16 fiscal years.
- Examined supporting documentation to determine whether required internal funds audits for the 2016-17, 2015-16, and 2014-15 fiscal years were timely performed pursuant to SBE Rule 6A-1.087, Florida Administrative Code, and Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools*, and whether the audit reports were presented to the Board.
- Reviewed District policies and procedures and evaluated controls over the District Maintenance, Warehouse, and Transportation Department inventories to determine the adequacy of District controls for safeguarding inventory items. Specifically, we:
  - Examined the accuracy of inventory counts and pricing for 30 selected inventory items with recorded costs totaling \$27,846, from the population of 8,258 Transportation Department inventory items with recorded costs totaling \$887,586 at June 30, 2017, to determine whether the transportation parts inventory was properly valued.
  - Examined District records supporting 30 inventory adjustments totaling a net reduction of \$99,685 from the population of 10,122 Maintenance, Warehouse, and Transportation Department inventory adjustments totaling a net reduction of \$6,961 to determine whether supervisory approval was documented for the adjustments.
- Evaluated severance pay provisions in all 3 employee contracts with such provisions to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes.
- From the population of compensation payments totaling \$597.4 million to 17,822 employees during the audit period, examined District records supporting compensation payments totaling \$35,175 for 30 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of compensation payments totaling \$16.3 million to 655 transportation employees during the audit period, examined District records supporting compensation payments totaling \$450,598 for 10 selected employees to determine the accuracy of employee attendance records and whether supervisory personnel reviewed and approved employee reports of time worked.
- From the population of 6,303 instructional personnel and 1,188 school administrators compensated a total of \$386.9 million during the audit period, examined documentation for 30 selected employees who were paid a total of \$2 million to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes.
- Examined District records for the audit period for 28 employees and 2 contractor workers selected from the population of 17,582 employees and 1,092 contractor workers to assess whether District employees and contractor workers who had direct contact with students were subjected to the required fingerprinting and background screenings.

- Examined District policies, procedures, and related records for the audit period for school volunteers to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of:
  - 23 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 81 District teachers who received scholarship awards totaling \$552,169 during the audit period.
  - 1 selected charter school award recipient from the population of 15 charter school teachers who received scholarship awards totaling \$102,254 during the audit period.
- Examined Florida Department of Highway Safety and Motor Vehicles and District records to assess whether District procedures were adequate to ensure that the District's 466 bus drivers were properly licensed and monitored during the audit period.
- Evaluated District procedures for informing the District's health insurance program third-party administrator (TPA) of the eligibility of employee and dependent participants. We also evaluated District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents. To determine the propriety of District claims expense, we examined District records supporting 30 selected health and pharmacy claims totaling \$6.2 million and \$761,901, respectively, from the claims population totaling \$91 million and \$22.4 million, respectively, that were processed by the TPA and compared the claims tested to the health insurance program requirements.
- To determine the propriety of District claims expense, examined District records supporting 30 selected workers' compensation claims totaling \$745,538 from the claims expense population totaling \$4.1 million that were processed by the TPA during the audit period and compared the claims tested to the workers' compensation insurance program requirements.
- From the population of Superintendent and Board Member travel expenses totaling \$19,127 during the audit period, examined documentation supporting 24 selected transactions totaling \$5,639 to determine if expenses were supported and complied with Section 112.061, Florida Statutes.
- From the population of 13 payments totaling \$17,995 paid to employees for other than travel and payroll payments during the audit period, examined documentation for 7 selected payments totaling \$10,199 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Reviewed District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes. We also reviewed procedures for the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practices.
- For the eight significant construction projects with expenditures totaling \$19.5 million and in progress during the audit period, examined documentation for project expenditures totaling \$1.2 million to determine compliance with District policies and procedures and provisions of State laws and rules. Also, from the population of the construction management contracts with guaranteed maximum prices over \$1 million, totaling \$97.7 million, we selected one contract totaling \$56.2 million, and we:
  - Examined District records to determine whether the construction manager was properly selected.

- Reviewed District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
- Examined District records to determine whether the architects were properly selected and adequately insured.
- Examined District records supporting three payments totaling \$1.2 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Reviewed the District's 5-year facilities work plan for the audit period and determined whether the District maintained records that supported the information reported in the plan.
- Interviewed District personnel and examined supporting documentation to determine whether floor plans for all nine newly constructed or remodeled educational facilities were submitted to law enforcement and fire agencies by October 1, 2016, pursuant to Section 1013.13, Florida Statutes.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs. We also compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements, evaluated District efforts to timely resolve any deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports. From the 146 inspection reports, we selected 26 reports with 728 noted deficiencies, and examined documentation to determine whether timely action was taken to correct the deficiencies.
- Examined copies of the most recent annual inspection reports of relocatables. From the population of 629 inspection reports, we examined documentation for 30 selected reports with 37 deficiencies noted to determine whether the timely action was taken to correct the deficiencies.
- From the population of purchasing card (P-card) transactions totaling \$5.6 million during the audit period, examined documentation supporting 30 selected transactions totaling \$59,408 to determine whether P-cards were administered in accordance with District policies and procedures. We also determined whether the District timely canceled the P-cards for 25 cardholders who separated from District employment during the audit period.
- Reviewed District policies and procedures related to identifying potential conflicts of interest. For 13 District employees selected from the 146 total employees required to file statements of financial interests, we reviewed Florida Department of State, Division of Corporation, records; statements of financial interests; and District records to identify any potential relationships with District vendors that represent a conflict of interest. Additionally, we reviewed the required statements of financial interest for the 13 District employees to determine whether the statements had been reviewed of record by the Purchasing Department.
- For the six charter schools that were not renewed or were terminated in the 2016-17, 2015-16, and 2014-15 fiscal years, evaluated District procedures to determine whether applicable funds and property appropriately reverted to the District and whether the District did not assume debts of the charter school, except as previously agreed upon by the District.
- 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 two charter 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 FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.

- Examined District records and evaluated construction planning processes for the audit period to determine whether processes were comprehensive, included consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- 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 expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies; and applicable vendors were properly selected. From the population of expenditures totaling \$80.5 million for the period July 2016 through May 2017, we examined documentation relating to:
  - 25 selected payments for general expenditures totaling \$89,322.
  - 5 selected travel expenditures totaling \$4,646.
  - The competitive selection of three vendors that received payments totaling \$8,724.
- From the population of 1,102 vendors and consultant contracts totaling \$26.8 million during the audit period, examined supporting documentation, including the contract documents, for 30 selected payments totaling \$1.8 million to determine whether:
  - The District complied with competitive selection requirements of the vendors that received payments.
  - The contracts supporting the payments clearly specified deliverables, time frames, documentation requirements, and compensation.
  - District records documented satisfactory receipt of deliverables before payments were made.
  - The payments complied with contract provisions.
  - Any of the vendors or consultants who received payments were also District employees to evaluate whether the District complied with Section 112.313, Florida Statutes.
  - For contractor workers who received payments and had direct contact with students, the District complied with fingerprinting and level 2 background screening requirements.
- From the population of payments totaling \$13.4 million for the audit period made to 45 vendors for repairs and maintenance, relocatables, improvements other than buildings, and renovation and remodeling, examined 30 selected payments totaling \$2.1 million to determine whether the vendor was paid in accordance with the contract terms and conditions, and amounts paid were reasonable based on the services provided.
- 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 2016 General Appropriations Act (Chapter 2016-066, Laws of Florida), the funding sources, expenditures, and student outcomes for each participating school.
- Determined whether the District had adequate Virtual Instruction Program (VIP) policies and procedures.
- Evaluated District records for the audit period to determine whether the District provided the required VIP options and 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 District accounting records for the audit period to verify that the District refrained from assessing registration or tuition fees for VIP participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- Evaluated District records for the audit period to determine whether the VIP curriculum and course content was aligned with Sunshine State Standards and whether the instruction offered was designed to enable students to gain proficiency in each virtually delivered course of study as required by Section 1002.45.3(a) and (b), Florida Statutes.
- Examined student records and evaluated District procedures for the audit period to determine whether the District ensured that VIP students were provided with all necessary instructional materials and, for those eligible students who did not already have such resources in their home, computing resources necessary for program participation as required by Section 1002.45(3)(c) and (d), Florida Statutes.
- From the population of 241 students enrolled in the District VIP during the audit period, examined District records for 26 selected students to determine whether the students met the statutory eligibility requirements prescribed by Section 1002.45(5), Florida Statutes.
- From the population of 241 students enrolled in the District VIP during the audit period, examined District records for 26 selected students to determine whether the students met statutory participation requirements, including compulsory attendance and State assessment testing requirements as required by Section 1002.45(6)(a) and (b), Florida Statutes.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

## **AUTHORITY**

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



Sherrill F. Norman, CPA  
Auditor General

## MANAGEMENT'S RESPONSE



**Vision:**  
100% Student Success

**Mission:**  
"Educate and prepare each student for college, career and life."

March 19, 2018

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

Dear Ms. Norman;

Attached are Pinellas County District School Board's written statements of explanation concerning all of the audit findings, including the District's actual and proposed corrective actions.

If you have any further questions, please contact Cathy Davidson, CPA, Director of Accounting, at 727-588-6178 or email her at [davidsonc@pcsb.org](mailto:davidsonc@pcsb.org).

Sincerely,

Michael A. Grego, Ed.D.  
Superintendent

Attachment

cc: Kevin W. Smith, CPA, Associate Superintendent, Finance and Business Services  
Cathy Davidson, CPA, Director of Accounting

**ADMINISTRATION BUILDING**  
301 Fourth St. SW  
P.O. Box 2942  
Largo, FL 33779-2942  
Ph. (727) 588-6000

**SCHOOL BOARD OF  
PINELLAS COUNTY, FLORIDA**  
Chairperson  
Rene Flowers

Vice Chairperson  
Peggy L. O' Shea

Carol J. Cook  
Terry Krassner  
Joanne Lentino  
Linda S. Lerner  
Eileen M. Long

Superintendent  
Michael A. Grego, Ed.D.

**Finding 1:** District procedures did not provide, before payments for construction management entity (CME) services, for comparisons of CME pay requests to subcontractor bids and contracts for the Largo High School Replacement Facility Project (Largo Project) totaling \$55.4 million. In addition, the District did not verify that the subcontractors that provided and were paid for subcontractor services were the subcontractors selected through the competitive selection process.

**PCSB Response:**

The District will require the CME to provide subcontractor contracts that were awarded through a competitive selection process. Prior to payment, District personnel will compare the cost items on the schedule of values contained in select CME payment requests to supporting documentation, including subcontractor bid award and contracts to ensure amounts billed are properly supported and consistent with the amounts contained within the awarded contract.

**Finding 2:** The District did not verify the licenses of subcontractors before they commenced work on the Largo Project.

**PCSB Response:**

The District will require the CME to provide subcontractor license documentation to district personnel to ensure licenses are current and valid prior to the subcontractor commencing work.

**Finding 3:** The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of CME general conditions costs.

**PCSB Response:**

The District will develop policies and procedures for negotiation, monitoring and documenting the reasonableness of general conditions costs. Also, the District will establish a procedure to require the CME to provide adequate documentation to support the actual general condition costs included in the CME pay request before payment is made.

**Finding 4:** The District did not always timely correct deficiencies noted in annual facility and relocatable inspection reports.

**PCSB Response:**

For deficiencies identified in annual inspection reports, the District will establish a more thorough tracking system whereby the SREF Inspector will periodically conduct a re-inspection of each facility to ensure work requests have been fulfilled or are in progress. The District is also in the process of converting to a more sophisticated work order system which will allow for us to code, prioritize and track work orders specifically tied to SREF inspections.

**Finding 5:** Controls over maintenance, warehouse, and transportation inventories continue to need improvement.

**PCSB Response:**

**Segregation of duties:** Due to limitations of the facilities, it is not possible to restrict access to the physical inventory, therefore, the District will enhance the independent review process over purchases and adjustments made to inventory records to ensure the propriety of these transactions. In addition, the responsibility for coordinating the counts has been reassigned to clerks who do not have access to maintain perpetual inventory records. Finally, the Vehicle Maintenance Specialist or Coordinator will review the parts adjustment report weekly to ensure all parts adjustments are documented and reviewed independently from the Vehicle Maintenance Parts Department.



**Purchase Approval:** The District will reassign purchase requisition approval authority from individuals that maintain perpetual inventory records to staff that do not maintain these records.

**Supervisory Review and Approval:** The District will enhance procedures to ensure supervisory review and pre-approval of inventory adjustments.

**Finding 6:** Procedural enhancements are needed to ensure compliance with workforce education programs fund restrictions. A similar finding was noted in our report No. 2015-130.

**PCSB Response:**

The District will establish a periodic certification process for applicable staff to validate the actual time spent on Workforce Education programs that will be supported by activity reports. If necessary, adjustments will be made to the percentage allocation budgeted based on the actual time certified. In addition, the District will restore the remaining questioned costs totaling \$29,912 to the program.

**Finding 7:** Controls over contractual services and related payments continue to need improvement.

**PCSB Response:**

The District will enhance procedures to require documented confirmation that services were satisfactorily received and complied with contract terms and provisions prior to payment, including requiring District staff with direct knowledge of contracted services to confirm receipt of the services. In addition, training will be provided to District staff on the new procedure requirements.

**Finding 8:** The District did not always timely cancel purchasing cards after cardholders separated from District employment.

**PCSB Response:**

The Purchasing Department is now receiving a daily email listing all terminations as well as all cost center transfers. Staff then cross-reference these lists against the P-card holder database and contact any card holders instructing them to turn their card into their cost center coordinator for destruction. Purchasing staff will cancel the P-card with the bank and note this date in their database.

**Finding 9:** Information Technology (IT) access privileges of employees who separated from District employment were not always timely deactivated.

**PCSB Response:**

The access deactivation process is not automated due to limitations of TERMS. TIS relies on HR to enter the separation code before access can be removed. Effective October 10, 2017, HR inputs the separation code into TERMS prior to a staff member separating from the District, which causes TIS to deactivate access by the day following termination. The new ERP system will automate this process.

**Finding 10:** Some unnecessary IT user access privileges existed that increased the risk that unauthorized disclosure of student social security numbers may occur. In addition, the District did not document that periodic reviews of assigned IT access privileges were conducted to determine whether such privileges were necessary and to ensure the timely removal of any inappropriate access privileges detected.

**PCSB Response:**

**Documentation for periodic reviews:** Periodically, but no less than annually, a report listing all staff members who have access to student SSN within the student information system will be

distributed to each site supervisor. The site supervisor will review the list to ensure the job duties of the staff members who still require access to the SSN field. Any staff member not requiring access will be reported to the District Help Desk for removal. The Help Desk will assign the staff member to an appropriate user profile that does not have access to the student SSN field.

**Update to District MIS:** No mechanism exists in the SIS software to restrict access to student demographic data based on their status as current or former students: it is a single record, not qualified by year or enrollment status. In addition, based on the District model of service, the users who have access to the confidential information of current students have the same need to access that information after students leave the District. The District intends to use an annual review and removal of user access, described previously, to ensure only appropriate staff members have access.