

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2018-079
December 2017

**OKEECHOBEE COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2016-17 fiscal year, Ken Kenworthy served as Superintendent of the Okeechobee County Schools and the following individuals served as School Board Members.

	<u>District No.</u>
Joe Arnold	1
Malissa Morgan, Chair	2
Dixie Ball	3
Amanda Riedel from 11-22-16	4
India Riedel through 11-21-16	4
Jill Holcomb, Vice Chair	5

The team leader was Mark D. Kenny, CPA, and the audit was supervised by Tim L. Tucker, CPA.

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

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OKEECHOBEE COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Okeechobee County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2016-090. Our operational audit disclosed the following:

Finding 1: Some unnecessary information technology (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 user access privileges were conducted to determine whether such privileges were necessary and to ensure the timely removal of any inappropriate or unnecessary access privileges detected.

BACKGROUND

The Okeechobee 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 Okeechobee County. The governing body of the District is the Okeechobee County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the executive officer of the Board. During the 2016-17 fiscal year, the District operated 10 elementary, middle, high, and specialized schools, and reported 6,462 unweighted full-time equivalent students.

This operational audit of the District focused on selected processes and administrative activities and included a follow-up on findings noted in our report No. 2016-090. The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2017, will be presented in a separate report.

FINDING AND RECOMMENDATION

Finding 1: Information Technology User Access Privileges

The Legislature has recognized in State law¹ 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 information technology (IT) user access privileges to help prevent personnel from accessing sensitive personal information inconsistent with their responsibilities.

¹ Section 119.071(5)(a), Florida Statutes.

Pursuant to State law,² 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 management information system (MIS). Board policies³ 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 statutes, State Board of Education rules, and Federal laws and District employees are required to certify that they will comply with these requirements. Student SSNs are maintained in the District 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.

As of October 2017, the MIS maintained the SSNs for 17,800 former and 1,700 current District students and 23 District employees had IT user access privileges to student information including 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 procedures, we observed various District MIS computer screens showing District employee access privileges and requested District personnel to confirm that the 23 employees with access privileges to student SSNs needed this access to perform their assigned responsibilities. Our observations and District personnel responses disclosed that all 23 employees had some unnecessary access to student SSNs. Specifically:

- 17 employees, such as school level data processors, needed access to the SSNs for current students at their respective schools, but these employees also had unnecessary access to the SSNs of former students. The unnecessary access occurred because the District MIS did not differentiate access to current student SSNs from access to former student SSNs.
- 6 other employees, including department heads and secretaries, had responsibilities that required access to student demographic data. However, the employees' responsibilities did not require access to the student SSNs included in the demographic data.

In response to our inquiries, District personnel indicated that, as of November 2017, a review of IT user access privileges was documented and a request had been made for the development of a District MIS mechanism to differentiate employee access to current student SSNs from access to former student SSNs. District personnel also indicated that the 6 other employees' access privileges to student SSNs had been removed. The lack of documented, periodic reviews of IT user access privileges and existence of unnecessary access privileges 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.

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

- **Upgrade the District MIS to include a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information.**

² Section 1008.386, Florida Statutes.

³ Board Policy 5.50, Student Records.

- 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.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2016-090.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2017 through November 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 findings included in our report No. 2016-090.
- 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 finding 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, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access privileges to IT resources. From the population of 86 employees who had access to the finance and human resource applications, we reviewed access privileges for 30 selected employees to determine the appropriateness and necessity of the access privileges based on employees' job duties and user account functions and whether the access privileges prevented the performance of incompatible duties.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- 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.
- Evaluated 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).
- Examined District records to determine whether the District had developed an anti-fraud policy to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 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.

- From the population of \$1.8 million total expenditures and \$589,284 total transfers made during the audit period from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$790,253 and \$589,284, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined District records to determine whether the District had adequate controls over obtaining social security numbers (SSNs) from students, granting and reviewing employee access privileges to student records that include SSNs, and securely storing electronic and hard copy records that contain SSNs.
- 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 required internal funds audit for the 2015-16 fiscal year was timely performed pursuant to SBE Rule 6A-1.087, Florida Administrative Code, and Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools (Red Book)*, and whether the audit report was presented to the Board.
- From the population of compensation payments totaling \$2.8 million to 37 administrative employees during the audit period, examined District records supporting compensation payments totaling \$1.4 million to 19 selected employees to determine whether supervisory personnel reviewed and approved employee reports of time worked and leave taken and whether leave records had been properly updated, if applicable.
- Evaluated District policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine compliance with State law and Board policies. From the population of 75 former employees paid \$538,535 for terminal leave, we examined District records for 23 selected former employees paid terminal leave pay totaling \$352,881 to determine whether terminal leave pay was calculated in compliance with Sections 1012.61 and 1012.65, Florida Statutes, and Board policies.
- Examined District records to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4., Florida Statutes.
- Examined District policies, procedures, and related records for school volunteers for the audit period to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records to determine whether the eligibility of the eight recipients of Florida's Best and Brightest Teacher scholarships totaling \$54,535 during the audit period was supported.
- From the population of 1,700 contractual service expenditures totaling \$4.2 million during the audit period, examined supporting documentation, including contract documents, for 30 selected contractual services expenditures totaling \$500,861 to determine whether:
 - The District complied with competitive selection requirements.
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables for payments that were made.

- Payments complied with contract provisions.
- From the population of purchasing card (P-card) transactions totaling \$515,898 during the audit period, examined documentation supporting 30 selected transactions totaling \$37,153 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 one former employee who had been assigned a P-card and separated from District employment during the audit period.
- Examined District expenditure records to determine 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, pursuant to the 2016 General Appropriations Act, we examined District revenue, expenditure, and student performance records to determine whether the District appropriately reported the funding sources, expenditures, and student outcomes for each participating school to the FDOE.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Superintendent
Ken Kenworthy



School District of Okeechobee County

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Chairperson
Jill Holcomb
Vice Chairperson
Dixie Ball
Members
Joe Arnold
Malissa Morgan
Amanda Riedel

December 20, 2017

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

Re: Response to Preliminary and Tentative Findings

Dear Auditor General:

The following information is supplied in response to the Preliminary and Tentative Findings from the operational audit of the Okeechobee County District School Board.

Finding 1: Information Technology User Access Privileges

Response: *The District will work with Skyward to differentiate IT user access privileges between current and former students as it relates to social security number access and visibility. The District will also conduct periodic reviews of IT user access privileges and remove unnecessary access in a timely manner.*

Please let us know if you need additional information.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Kenworthy".

Ken Kenworthy
Superintendent of Schools

cc: School Board Members
Tom Conely, School Board Attorney
Corey Wheeler, Director of Finance

Achieving Excellence: Putting Students First!