REPORT NO. 2011-099
FEBRUARY 2011

# MIAMI-DADE COUNTY

## DISTRICT SCHOOL BOARD

## Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

## BOARD MEMBERS AND SUPERINTENDENT

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

| | District No. |
|---|---|
| Dr. Wilbert "Tee" Holloway | 1 |
| Dr. Solomon C. Stinson, Chair | 2 |
| Dr. Martin S. Karp | 3 |
| Ms. Perla Tabares Hantman, Vice Chair from 11-17-09 | 4 |
| Mr. Renier Diaz de la Portilla | 5 |
| Mr. Agustin Barrera | 6 |
| Ms. Ana Rivas Logan | 7 |
| Dr. Marta Pérez, Vice Chair to 11-16-09 | 8 |
| Dr. Lawrence S. Feldman | 9 |

Mr. Alberto M. Carvalho, Superintendent

The audit team leader was Agustin Silva, CPA, and the audit was supervised by Ramon A. Gonzalez, CPA. For the information technology portion of this audit, the audit team leader was Sue Graham, CPA, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

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# MIAMI-DADE COUNTY

District School Board

## SUMMARY

**Our operational audit disclosed the following:**

**CAPITAL OUTLAY FUNDING**

**Finding No. 1: District records did not always evidence that capital outlay millage tax levy proceeds were used for authorized purposes, resulting in approximately $7.9 million of questioned costs.**

**PERFORMANCE ASSESSMENTS AND COMPENSATION**

**Finding No. 2: Procedures could be enhanced to ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance.**

**Finding No. 3: The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes, and documenting the differentiated pay process of school-based administrators using the critical shortage area factor prescribed in Section 1012.22(1)(c)4., Florida Statutes.**

**SAFETY AND SECURITY**

**Finding No. 4: We noted 220 deficiencies or facility maintenance needs for four schools that remained unresolved for two or more years after the date facility safety inspections were performed.**

**Finding No. 5: Procedures could be enhanced to ensure compliance with Section 119.071(5)(a), Florida Statutes.**

**Finding No. 6: The District needed to improve its procedures for monitoring charter school insurance coverage.**

**CONSTRUCTION ADMINISTRATION**

**Finding No. 7: The District's facilities work program did not always include required information.**

**Finding No. 8: The District's architectural and engineering contracts contained provisions that limited recovery of additional construction costs resulting from architectural or engineering errors and omissions.**

**Finding No. 9: Enhancements could be made in the administration of guaranteed maximum price construction contracts.**

**Finding No. 10: Procedures could be enhanced to timely complete projects that are in closeout status.**

**FOOD SERVICE RECORDS MANAGEMENT**

**Finding No. 11: There was a broad range in the purchased food cost per meal among schools within each educational level, which may be indicative of unauthorized or inefficient usage of food supplies.**

**Finding No. 12: A wide range of purchased food inventory turnover rates existed within each educational level, suggesting that the efficiency of the inventory controls at some locations is not consistent throughout the District. Also, the District needed to implement an inventory reconciliation process.**

**Finding No. 13: Procedures needed enhancement to ensure the accuracy and effectiveness of production and menu record forms used to ensure the reasonableness of food usage.**

**MOTOR VEHICLES**

**Finding No. 14: The District needed to enhance its procedures for monitoring the fuel efficiency of District vehicles.**

COMMUNICATION EXPENSES

**Finding No. 15: Improvements were needed in the District's monitoring of cellular telephone usage.**

STUDENT ENROLLMENT

**Finding No. 16: District records did not evidence that the District made the required notifications to parents of eligible students of the opportunities provided by the John M. McKay Scholarships for Students with Disabilities Program.**

INFORMATION TECHNOLOGY

**Finding No. 17: The District did not require that its employees annually acknowledge in writing their responsibilities for maintaining security over District data and information technology (IT) resources.**

**Finding No. 18: Certain IT security controls related to user authentication needed improvement.**

**Finding No. 19: The District's management of security and user access related to the District's new Finance system needed improvement to provide increased assurance that access privileges enforce an appropriate separation of duties.**

## BACKGROUND

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

During the 2009-10 fiscal year, the District operated 358 elementary, middle, high, and specialized schools; sponsored 85 charter schools; and reported 343,650 unweighted full-time equivalent students.

The results of our audit of the District's financial statements and Federal awards for the fiscal year ended June 30, 2010, will be presented in a separate report.

## FINDINGS AND RECOMMENDATIONS

### Capital Outlay Funding

#### Finding No. 1: Ad Valorem Taxation

Section 1011.71, Florida Statutes, provides that each school board may levy against the taxable value no more than 1.5 mills for capital outlay purposes. This section also provides the allowable uses of capital outlay tax levy proceeds that includes, among other things, funding new construction and remodeling projects; maintenance, renovation, and repair of existing school plants; purchase, lease-purchase, or lease of equipment, computer hardware, or enterprise resource software applications that are used to support districtwide administration subject to certain conditions and limitations; payment of loans approved pursuant to Section 1011.14 and 1011.15, Florida Statutes; and payment of property and casualty insurance premiums necessary to insure school district educational and ancillary plants subject to certain conditions and limitations. The District accounts for the tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

For the 2009-10 fiscal year, the District had LCI Fund expenditures totaling $53.6 million and transfers totaling $363.4 million to other funds. We tested expenditures and transfers totaling $44.9 million to determine their propriety. As

similarly noted in our report No. 2008-158, our tests disclosed approximately $7.9 million of LCI Fund expenditures that did not appear to be for purposes authorized by Section 1011.71, Florida Statutes, as follows:

| Description | Amount |
|---|---|
| Reimbursement to Capital Projects - Revenue Anticipation Note (RAN) Fund 2002 (1) | $ 5,543,948 |
| Claims Administration Service Fees: | |
| General Liability Insurance (2) | 871,693 |
| Automobile Liability Insurance (2) | 581,128 |
| Liability Insurance - High School Football (2) | 315,115 |
| Terminal Sick Leave (3) | 300,082 |
| Terminal Vacation Leave (3) | 258,606 |
| Other Sick Leave Payments (3) | 56,755 |
| Commercial Automobile Insurance (2) | 2,748 |
| Total Questioned Costs | $ 7,930,075 |

Notes:

(1) This questioned cost represents a transfer of capital outlay tax levy proceeds to reimburse a RAN Fund deficit that resulted from expenditures incurred before the 2009-10 fiscal year.

(2) Section 1011.71, Florida Statutes, limits payments for insurance to property and casualty insurance premiums to insure school district educational and ancillary plants.

(3) District personnel indicated that these expenditures were related to sick leave and vacation pay of maintenance workers; however, District records did not evidence that the employees had earned the leave they were paid while performing services eligible for payment from capital outlay tax levy proceeds.

These expenditures represent questioned costs of the capital outlay tax levy proceeds. Section 1011.71(6), Florida Statutes, provides that a district that violates the expenditure restrictions of Section 1011.71, Florida Statutes, shall have an equal dollar reduction in Florida Education Finance Program funds appropriated to the school district in the fiscal year following the audit citation.

**Recommendation: The District should establish and implement procedures to ensure that expenditures of its capital outlay millage tax proceeds are made only for authorized purposes. In addition, the District should document the allowability of the questioned costs totaling $7,930,075 or restore those costs to the LCI Fund.**

**Follow-up to Management's Response:**

***The District's response indicates that the RAN Fund reimbursement, the insurance coverage, and leave payments are authorized uses of the optional 1.5 mill levy under S. 1011.71(2), F.S. However, the RAN Fund prior year expenditure reimbursements are not among the authorized capital outlay millage tax levy uses, and the insurance premium payments must relate to insuring educational or ancillary plants. Further, the District's response states that District records detailing the tenure of the employees that received the leave payments are maintained in the personnel system; however, District records did not evidence that the***

***employees had earned the leave they were paid while performing services eligible for payment from capital outlay tax levy proceeds.***

## Performance Assessments and Compensation

### Finding No. 2: Performance Assessments

Section 1012.34(3), Florida Statutes, requires the District to establish annual performance assessment procedures for instructional personnel and school administrators. When evaluating the performance of employees, the procedures must primarily include consideration of student performance, using results from student achievement tests, such as the Florida Comprehensive Assessment Test (FCAT), pursuant to Section 1008.22(3), Florida Statutes, at the school where the employee works. Additional employee performance assessment criteria prescribed by Section 1012.34(3)(a), Florida Statutes, include evaluation measures such as the employee's ability to maintain appropriate discipline, knowledge of subject matter, ability to plan and deliver instruction and use of technology in the classroom, and other professional competencies established by rules of the State Board of Education and Board policies. Section 1012.34(3)(d), Florida Statutes, require that, if an employee is not performing satisfactorily, the performance evaluator must notify the employee in writing and describe the unsatisfactory performance.

The District established performance assessment procedures based on criteria prescribed by Section 1012.34(3)(a), Florida Statutes, that included provisions to evaluate instructional and school administrative employees based on student performance. The District's instructional performance appraisal form included learner progress (i.e. student performance) as an evaluation component and the school administrative performance appraisal form included key performance targets as part of the administrative competencies component. However, District records did not sufficiently evidence a correlation between student performance and the employee's performance assessments and records did not demonstrate that student performance was the primary factor for the overall evaluation rating. For example, the evaluation form did not provide a numeric or percentage indicator to show that student achievement was the primary contributing factor used to evaluate employee performance. Without sufficiently documenting the extent to which student performance affects employee performance, performance assessments of instructional personnel and school administrators are incomplete and may not effectively communicate the employee's accomplishments or shortcomings.

District personnel indicated that meetings have been scheduled with the instructional personnel union to negotiate the impact of the learner progress (i.e. student performance) evaluation component on the overall employee evaluation, and a new school administrative performance appraisal form will be developed that will link 51 percent of the evaluation to student performance.

**Recommendation: The District should continue its efforts to ensure that performance assessments of instructional personnel and school administrators are based primarily on student performance, and maintain records evidencing this.**

### Finding No. 3: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on

performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the District to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation. In addition, the Board had not adopted formal policies and procedures establishing the documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

The 2009-10 fiscal year salary schedules and applicable union contracts for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel.** The union contract for instructional personnel provides that the salary of an employee that receives an unacceptable performance evaluation shall remain frozen until the employee satisfactorily completes the terms of a performance improvement plan and has been rated acceptable. District personnel indicated that a performance-based stipend was approved to support and facilitate the recruitment and retention of instructors at the Edison Edu-Plex school during the 2009-10 fiscal year. The process used to identify instructional personnel eligible to receive the stipend was documented in a Memorandum of Understanding (MOU), which was part of the union contract. The MOU also linked the stipend to student achievement tests at this school. Although the union contract included provisions relating employee compensation to performance, the instructional personnel salary schedule did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes.
- **School-based Administrators.** Board Rule 6Gx13-4D-1.022, *Manual of Procedures for Managerial Exempt Personnel (MEP),* and the administrative salary schedule for school-based administrators reasonably provided differentiated pay for additional responsibilities, school demographics, and level of performance difficulties. For example, assistant principals and vice principals were provided a salary differential at designated senior high schools for providing evening and weekend services on a regular basis in support of academic extracurricular programs. However, the MEP and salary schedule did not evidence consideration of differentiated pay for school-based administrators based on critical shortage areas, contrary to Section 1012.22(1)(c)4., Florida Statutes. District personnel indicated that Board Rule 6Gx13-4D-1.022, *Manual of Procedures for Managerial Exempt Personnel (MEP)*, will be revised to include critical shortage areas for school-based administrators in compliance with Section 1012.22(1)(c)4., Florida Statutes.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

**Recommendation: The Board should adopt formal policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and differentiated pay of school-based administrators critical shortage areas is identified in the salary schedule, consistent with Section 1012.22(1)(c), Florida Statutes.**

## Safety and Security

### Finding No. 4: Annual Facility Inspections

Section 1013.12, Florida Statutes, requires the District to inspect 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 rules of the State Board of Education. In addition, the District must ensure that it annually obtains the required firesafety inspections of each educational and ancillary plant by persons certified by the Division of State Fire Marshal.

Our review of the inspection records for seven school facilities disclosed that the District performed the required annual inspections. The inspectors recorded the deficiencies by building and room number and indicated whether the correction involved a capital expenditure, maintenance expenditure, or could be made by site personnel. However, the inspection records for four schools (Little River Elementary, Kinloch Park Middle, Miami Central Senior, and Brownsville Middle) showed 220 deficiencies or facility maintenance needs that remained unresolved for two or more years after the date the inspections were performed. These unresolved noncompliance citations included excessive combustibles on walls, improper storage of flammable liquids, failure to provide safe electrical condition, failure to maintain fire alarm and fire extinguisher, and other safety to life items. Failure to timely correct facility deficiencies results in an increased risk that facilities could become unsafe for occupancy, and could result in additional costs in the future due to further deterioration. A similar finding was noted in previous audit reports, most recently in our report No. 2008-158.

In response to our inquiries, District personnel indicated that as of August 2010, the District had taken corrective action for some of the deficiencies. District personnel further indicated that while the District remains committed to reducing total deficiencies to the lowest number possible, as a result of the ongoing economic crisis, the resources needed to address most facilities needs are not available as the District has experienced a reduction in capital funding and a diminishing maintenance workforce.

**Recommendation: The District should continue its efforts to ensure that deficiencies and facilities maintenance needs noted in the annual inspection reports are timely corrected.**

### Finding No. 5: Collection of Social Security Numbers

The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSN) for certain purposes because of their acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that 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.

Section 119.071(5)(a), Florida Statutes, provides that the District may not collect an individual's SSN unless the District has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or is

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

The District had a SSN policy, posted on its human resources Web page and its employee computer portal, that indicated the specific law governing the collection, use, and purpose for which the District collected SSNs from job applicants. The policy also identified whether the collection of the SSN was authorized or mandatory under Federal or State law, and the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN was collected. District personnel indicated that SSNs were obtained for various purposes such as for applicants for employment, employee payroll deductions, employee insurance, employee retirement, student enrollment, vendor identification, and for fingerprinting and background screenings of volunteers. However, as of March 2010, District procedures did not fully comply with Section 119.071(5)(a), Florida Statutes, as noted below:

- Individuals seeking employment were required to register and complete employment applications using the District's human resources Web page; however, the District did not have procedures in place to ensure that the individuals read the Web page evidencing the required SSN notification. Subsequent to our inquiries, the District enhanced procedures to require applicants to acknowledge and accept the SSN policy, and the District transmitted an e-mail to all current employees notifying them of the SSN policy. District personnel further indicated that all new hires receive a copy of the SSN policy and that the benefits enrollment packages for employees and retirees would include a copy of the SSN policy.
- When collecting SSNs from adult education program students, parents, and volunteers, the District did not provide the required written statement indicating the specific law governing the collection, use, and purpose because the District's SSN policy did not include procedures for SSNs collected from these individuals. Subsequent to our inquiries, the SSN policy was revised to include procedures for SSNs collected from these individuals. Procedures were also enhanced to ensure that these individuals acknowledged and accepted the SSN policy.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

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

**Finding No. 6: Monitoring of Charter School Insurance Coverage**

As similarly noted in our report No. 2008-158, improvements were needed in monitoring charter school insurance coverage. During the 2009-10 fiscal year, the District sponsored 85 charter schools, and the charter school agreements required, in part, that the schools provide the District evidence of insurance for:

- Commercial general liability of $1 million per occurrence and $3 million annual aggregate (inclusive of any amounts provided by an umbrella or excess policy), with the District named as additional insured;
- Automobile liability of $1 million per occurrence and $3 million annual aggregate, if subject to an annual aggregate (inclusive of any amounts provided by an umbrella or excess policy);

- Workers' compensation and employers' liability (EL) of $500,000 EL each accident, $500,000 EL disease-policy limit, and $500,000 EL disease-each employee;
- School leader's errors and omissions liability of $1 million per claim and annual aggregate (inclusive of any amounts provided by an umbrella or excess policy) subject to a maximum deductible not to exceed $25,000 per claim;
- Property insurance for the facilities including permanently installed fixtures, machinery and equipment, outdoor fixtures, and personal property to service the premises; and
- Renewal or replacement of the insurance no less than 30 days before the expiration or termination of the required insurance for which evidence was provided.

Although the District's Charter School Operations Department was responsible for maintaining records to evidence compliance with the charter school agreements, procedures were not in place to ensure that the District was actively monitoring insurance coverage. Our review of insurance certificates for 20 charter schools disclosed the following instances in which the insurance coverage maintained by the charter schools did not comply with the requirements of the charter school agreements:

- For eight charter schools, District records did not initially evidence the required insurance certificates at the time of our review. Subsequent to our inquiries, the District obtained insurance certificates in April 2010; however, in these instances, the dates of the certificates were after the beginning of the coverage period, as follows:

| Charter School | Insurance | Coverage Period | Date of Issue |
|---|---|---|---|
| Advanced Learning Charter School | Workers' Compensation | 09/29/09-09/29/10 | 04/06/2010 |
| Archimidean Academy | Commercial General | 08/16/09-08/16/10 | 04/07/2010 |
| | Liability | 08/16/09-08/16/10 | 04/07/2010 |
| | Automobile | 11/28/09-11/28/10 | 04/07/2010 |
| | Errors and Omissions | 01/25/10-01/25/11 | 04/06/2010 |
| | Property | | |
| Balere Language Academy | Commercial General | 07/30/09-07/30/10 | 04/12/2010 |
| | Liability | 07/30/09-07/30/10 | 04/12/2010 |
| | Automobile | 09/26/09-09/26/10 | 04/12/2010 |
| | Workers' Compensation | 07/30/09-07/30/10 | 04/12/2010 |
| | Errors and Omissions | | |
| Excelsior Charter Academy | Workers' Compensation | 01/01/10-09/26/10 | 04/26/2010 |
| Lawrence Academy Senior High Charter School | Workers' Compensation | 03/01/10-03/01/11 | 04/21/2010 |
| Life Skills Center Miami Dade County | Errors and Omissions | 01/31/09-01/31/10 | 04/22/2010 |
| | Errors and Omissions | 01/31/10-01/31/11 | 04/16/2010 |
| Miami Community Charter School | Commercial General | 10/11/09-10/11/10 | 04/07/2010 |
| | Liability | 10/11/09-10/11/10 | 04/07/2010 |
| | Automobile | 09/26/09-09/26/10 | 04/07/2010 |
| | Workers' Compensation | | |
| Richard Allen Leadership Academy | Commercial General | 08/25/09-08/25/10 | 04/07/2010 |
| | Liability | 08/25/09-08/25/10 | 04/07/2010 |
| | Property | | |

- Commercial General Liability: District records did not evidence coverage for one charter school, contrary to the charter school agreement. For another charter school, the policy limit of $2 million annual aggregate liability was below that required by the charter school agreement.
- Workers' Compensation and Employers' Liability: For two charter schools, the policy limits of $100,000 each accident and $100,000 disease-policy limit were below those required by the charter school agreements.
- Property: District records did not evidence coverage for four charter schools, contrary to the charter school agreements.

Subsequent to our inquiries, the District contacted the charter schools and requested the necessary documentation to evidence compliance with the insurance requirements of the charter agreements. Without adequate procedures to

monitor the charter schools' insurance coverage, there is an increased risk that such coverage may not exist or be insufficient, subjecting the District to potential losses.

**Recommendation: The District should improve monitoring procedures to ensure that its charter schools maintain insurance coverage required by the charter school agreements.**

## Construction Administration

### Finding No. 7: Facilities Work Program

Section 1013.35, Florida Statutes, requires that the Board annually prepare a tentative district educational facilities plan (facilities work program), prior to the adoption of the district school budget, that includes planning for facilities needs over 5-year, 10-year, and 20-year periods. The plan is to be submitted to the Florida Department of Education (FDOE) Office of Educational Facilities and the affected general-purpose local governments. Our review of the District's facilities work program disclosed the following:

- As similarly noted in our report No. 2008-158, the facilities work program, in Section 3, *Project Schedules*, reported unfunded projects totaling $2,067,575,383; however, contrary to Section 1013.35(2)(b)6., Florida Statutes, the facilities work program did not include a schedule of options for the generation of additional revenues for projects that are not to be funded with current District revenues (i.e., the capital outlay revenues included on the schedule prepared pursuant to Section 1013.35(2)(b)4., Florida Statutes). District personnel indicated that the FDOE facilities work program Web application and instructions only required designation of the actual revenue generated, and did not provide for input of potential revenue options. While the District presented a list of potential revenue to the Board as part of the budgetary process, the list did not include the revenue options for the specific unfunded projects noted above.
- Pursuant to Section 1013.35(2)(a)6., Florida Statutes, the facilities work program in Section 5, *Planning*, required the District to specify its plan to reduce the need for permanent student stations. Examples of disclosures for this section, as provided by FDOE instructions, include acceptable school capacity levels, redistricting, busing, year-round schools, charter schools, magnet schools, public-private partnerships, multi-track scheduling, grade level organization, block scheduling, and other alternatives. However, the District's disclosure in this section did not adequately detail the planned action to lower its dependency for these stations, but stated, "The School District will continue to use all possible mechanisms to reduce the need for permanent student stations." District personnel indicated that the attendance boundary committee annually reviews and makes recommendations to the Board on boundary adjustments that address student station needs based on station availability and programmatic needs. However, this information was not included in the facilities work program, contrary to statute.
- Pursuant to Section 1013.35(2)(a), Florida Statutes, the facilities work program, in Section 6, *Long Range Planning*, required the District to identify projects and locations that will need major renovation, repair, and maintenance in years 6 through 10 and 11 through 20. However, the District did not specifically identify these long-term projects and locations, but disclosed projected total amounts in lump sums of $1,374,266,243 and $3,363,792,194 for years for years 6 through 10 and 11 through 20, respectively, for maintenance and repair.

A facility work program that is not complete may limit the Board's and FDOE's ability to monitor the District's capital outlay needs. Additionally, under these circumstances, there is an increased risk that the information included in the facilities work program may not be well understood by the public.

**Recommendation: The District should enhance procedures to ensure that the adopted facilities work program contains the required information.**

**Finding No. 8: Architectural and Engineering Errors and Omissions**

The District contracts for architectural and engineering (A/E) services for the development of project plans and specifications for its significant construction projects. We reviewed two A/E contracts entered into by the District during the 2009-10 fiscal year with original estimated construction costs of $1.2 million and $1.7 million, respectively. As similarly noted in previous audit reports, most recently in our report No. 2008-158, the contracts contained a provision that the District would not claim or recover additional construction costs or damages for architectural or engineering errors and omissions when the total cost of errors, plus 15 percent of the cost of omissions, remained less than 1.5 percent of the total project construction costs. If the 1.5 percent threshold was exceeded, the District could recover the total additional construction costs as a result of errors plus 15 percent of the total additional construction costs as a result of omissions.

Since the District could incur additional construction costs as a result of architectural and engineering errors and omissions, any forgiveness granted by the District to these professionals for their errors and omissions should only be on a case by case basis, after careful evaluation by the District's construction and legal staff of the additional construction costs and circumstances of the claim. Subsequent to our inquiries, District personnel informed us that the District was revising A/E contracts to consider errors and omissions as an additional cost and to entitle the Board to seek reimbursement from the appropriate party, such as the A/E or insurer, for the total additional construction costs resulting from errors and omissions. In June 2010, the Board approved an A/E contract that included the revised contract language for errors and omissions.

**Recommendation: The District should continue its efforts to ensure that contracts do not limit the District's recovery of additional construction costs resulting from errors and omissions.**

**Finding No. 9: Construction Administration**

Section 1013.45(1), Florida Statutes, provides that a school district may contract with a construction management entity (CME) for the construction of new facilities, or for additions, remodeling, renovation, maintenance, or repairs to existing facilities. 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 must consist of, or contract with, licensed or registered professionals for the specific fields or areas of constructions to be performed, as required by law. In addition, pursuant to guaranteed maximum price (GMP) contracts, a CME may be required to secure an appropriate surety bond and provide for construction subcontracts. Under GMP contracts, the District may realize cost savings if the cost of construction is less than the GMP.

The District construction contracts required the CMEs to schedule, in coordination with the architect and the Board, the acceptance, review, and awarding of the bids to qualified responsive and responsible subcontractors. The bids were to be opened and reviewed with the architect and the Board prior to award by the CME. The contracts also provided for the CME to maximize market participation to obtain desirable competition as it relates to contract bidding. The CME had to request in writing to the Board the use of any prequalified subcontractors other than the low bidder for any particular element of the work, and include a full explanation of the reason for such a request.

We selected six GMP contracts with construction costs ranging from approximately $4.1 million to $79.5 million. The District entered into contracts with CMEs for these projects from March 2008 to July 2008. According to District records, the cumulative expenditures for these projects ranged from approximately $3.8 million to $72.1 million, as of June 30, 2010. To review the District's administration of these GMP contracts, including the level of

District personnel's participation in the process of prequalification, solicitation, evaluation and awarding of subcontractors' bids, we requested the subcontractors' bid files including the bid tabulation sheets, completed request for proposals, bid awarding documentation, and other records supporting the administration of these contracts.

Our review of the records and information provided disclosed that enhancements could be made in the administration of GMP contracts. Specifically, we noted that for two projects, the subcontractors selected to perform certain elements of the construction work were not always the apparent low bidders, based on the bid tabulation sheets provided for our review. District records did not evidence the reasons for not selecting the apparent low bidders and the CMEs did not provide written explanations to the Board for the subcontractor selection, contrary to the CME contract requirements. For one of these projects, the original bid ($820,000) submitted by a subcontractor awarded a contract for painting was $190,800 higher than the lowest bid. For the other project, the original bid ($36,410) submitted by a subcontractor awarded a contract for walkway covers was $11,594 higher than the lowest bid. District personnel reviewed these instances further and informed us that the apparent low bidders were not the lowest responsive and responsible bidders as shown on the bid tabulation sheets. Consequently, an explanation from the CME would not be warranted or expected in these instances. However, to enhance controls in this area a form was being developed and procedures implemented to require the CMEs to explain in writing the use of any subcontractor other than the apparent low bidder noted in the bid tabulation sheet.

Ensuring that subcontractor bidding complies with established CME contract provisions would provide the District assurance that potential cost savings are realized under GMP contracts.

**Recommendation: The District should continue its efforts to ensure that the CMEs provide written explanations to the District when a subcontractor other than the apparent low bidder is selected, and maintain documentation evidencing District personnel's review and approval of the explanations.**

**Follow-up to Management's Response:**

***The District's response indicates that the lowest responsive bidder was in fact used for each project; however, the point of our finding is that District records did not always evidence that the lowest responsive bidders were used nor the basis for using bids other than the lowest.***

## Finding No. 10: Project Closeouts

Section 4.2(3) of the Florida Department of Education's publication, *State Requirements for Educational Facilities – 2007*, required the Board to establish policies and procedures for all construction contracts and for making payments to contractors. In addition, the District should not make final payment for a construction project until completion of the project, issuance of the occupancy certificate, and the Board acceptance of the project. The District's construction contracts provide that substantial completion occurs when the architect or engineer confirms that the Board can use the project for its intended purpose. Closeout work is performed to finish projects that have been substantially complete but have open items. Closeout work includes the correction of building code deficiencies, additional building code inspections, completion of punch list items, and document control issues, such as obtaining warranty, equipment manual, and as-built documents. District procedures for the closeout of projects include, in part, a discovery process, walk-thru inspections, funding request, pay requisitions, final inspection and closeout, and processing of final payments.

As similarly noted in previous audit reports, most recently in our report No. 2008-158, improvements were needed to timely and efficiently close out construction projects. As of April 2010, District personnel had been assigned to close

out 263 projects, but another 123 projects remained unassigned to closeout. These 386 projects included 39 projects that were previously cited in closeout status in our prior audit report, dated March 2008. We reviewed 12 of the 39 projects and noted that these projects had not been closed due to document control and inspection related issues. According to District records, these projects had been determined to be substantially completed from 4 to 15 years ago. Subsequent to our inquiries, District personnel provided us with documentation indicating that as of June 30, 2010, the District had closed out the 39 projects that were previously cited in closeout status in our prior audit report, dated March 2008.

We also reviewed 5 additional projects in closeout status that were substantially completed in 2007 and 2008. In these instances, subsequent to our inquiries, the District requested appropriate construction personnel (e.g., contractor, architect/engineer, building code consultant) to complete the pending work, which mainly consisted of document control issues. District personnel further indicated that a new administrative procedure has been implemented in the Closeout Department to improve the timeliness of closeouts. Without closing construction projects timely, there is an increased risk that the District may incur additional costs to remedy construction deficiencies.

**Recommendation: The District should continue its efforts to timely complete the projects that are in closeout status.**

## Food Service Records Management

### Finding No. 11: Monitoring of the Purchased Food Cost per Meal

The District had 276 locations that prepared meals for 359 serving sites during the 2009-10 school year. The District's expenditures for purchased food during the 2009-10 fiscal year totaled approximately $50.8 million. These expenditures for purchased foods include direct purchases of food items for meal preparation, but do not include the cost of commodities obtained from the Federally-funded nutrition programs or the cost of additional processing required before use of the commodities for meal preparation.

We reviewed the purchased food cost per meal for lunch for all District schools in May 2010, to determine the consistency of purchased food cost per meal on a Districtwide basis. A "Management Statistical Report" is prepared monthly from the District's food service accounting system for each food preparation location, showing the current cost per meal and year-to-date cost per meal for purchased food, food processing, supplies, labor, and operating expenses for both breakfast and lunch meals. Our review disclosed that the purchased food costs for a lunch meal, for each educational level, were as follows:

| 2009-10 School Year | Purchased Food Cost per Meal | |
|---|---|---|
| Educational Level | Range | Average |
| Elementary | $0.63 - $1.15 | $0.84 |
| Middle | $0.72 - $1.22 | $0.89 |
| Senior | $0.38 - $1.36 | $0.98 |

Since the school lunch menu items offered Districtwide were fairly standard and the suppliers were generally the same for all food preparation locations, the purchased food cost per meal at each educational level should be reasonably

consistent. As similarly noted in previous audit reports, most recently in our report No. 2008-158, we noted significant differences in the purchased food cost per meal among schools at the same educational level. We requested explanations and supporting documentation for 34 schools (elementary, middle, and high schools) whose costs per meal exceeded the average purchased food cost per meal.

In response to our inquiries, District personnel provided us with explanations for most of the differences identified in our review, such as enhanced menu options at certain locations that increased meal participation above participation of other type schools; however, District records did not always support the explanations provided and did not evidence that differences from the average purchased food cost per meal were reviewed during the 2009-10 fiscal year. District personnel indicated that management reviews food orders weekly and monitors inventory monthly in conjunction with meal participation for each site, focusing on items such as total food costs, inventory and ordering, meals per labor hour staffing, and student meal participation. While these procedures provide a measure of control, the differences noted above for purchased food cost per meal among schools at the same educational level may be indicative of unauthorized or inefficient usage of food supplies.

**Recommendation: We recommend that the District strengthen its procedures to monitor the purchased food cost per meal among the District's schools by establishing cost parameters based on industry standards and analyzing significant differences between actual purchased food cost per meal and these parameters. The District should also document, of record, the causes of these differences and take appropriate action, as necessary, to promote the efficient use of food supplies.**

## Finding No. 12: Purchased Food Inventory Turnover Rates and Related Reconciliations

Our review of food inventories included an analysis of the purchased food inventory turnover rates at the District's 276 food preparation locations during the 2009-10 fiscal year. The inventory turnover rate measures the number of times an entity has turned over inventory during a given time period and it indicates the efficiency of management controls to minimize the amount of resources invested in the inventory needed to operate. When a low amount of inventory is maintained, the inventory turnover rate is high. The results of our analysis were as follows:

| 2009-10 Fiscal Year | Purchased Food Inventory Turnover Rates | | |
|---|---|---|---|
| Educational Level | Highest | Lowest | Average |
| Elementary | 136 | 20 | 46 |
| Middle | 194 | 15 | 50 |
| Senior | 112 | 13 | 40 |

As similarly noted in our previous audit reports, most recently in our report No. 2008-158, District records did not evidence adequate monitoring of the basis for these turnover rates. We requested explanations and supporting documentation for 40 schools (elementary, middle, and high schools) whose inventory turnover rates were either higher or lower than the average purchased food inventory turnover rates. In response to our inquiries, District personnel indicated that food service supervisors in certain instances were aware of high inventory levels and developed plans to reduce the levels by monitoring grocery orders on a weekly basis and monitoring inventory reports monthly. In another instance, District personnel indicated that the lunchroom manager needed to make menu changes to use stock and limit future orders to maintain appropriate inventory levels based on meal participation.

While most explanations appeared reasonable, District records did not evidence that District personnel reviewed differences from the average purchased food inventory turnover rates to determine and document the causes of the wide range of inventory turnover rates. District personnel stated that they have not used inventory turnover rates to

monitor inventory consumption because they considered other procedures sufficient. However, establishing inventory turnover rate averages for each educational level, analyzing significant variances from the average, and documenting, of record, the causes of rates that significantly differ from the average, would enhance the efficiency of inventory controls and minimize the level of inventory needed at each location.

The District's Management Statistical Report shows inventory turnover rates for purchased food based only on the given month's data. Food service personnel conduct physical counts at the end of each month for each food preparation location. These physical inventory counts were not reconciled to an ending inventory balance calculated based on the prior month's ending inventory, adjusted for food purchases and issues during the month. In addition, the District's procedures did not provide for the reconciliation of food purchases with food usage. District personnel indicated that the Department of Food and Nutrition instituted a tiered approach to school site monitoring and support for the 2009-10 fiscal year, prioritizing sites to increase student meal participation and address noncompliance with District meals per labor hour staffing standard. However, monthly reconciliations of the physical inventory counts to the calculated balances and of food purchases to food usage would increase management's ability to promptly detect differences and avoid recordkeeping errors and unauthorized or inefficient usage of inventory.

**Recommendation: We recommend that the District enhance procedures to document management's review of the purchased food inventory turnover rate within each educational level (elementary, middle, and high schools) and explanations for significant rate differences from the average, and take corrective action, as necessary, for any inventory control inefficiencies detected from this analysis. In addition, a monthly comparison of the physical inventory counts to the calculated ending inventory balance, and food purchases with food usages, should be performed and significant differences reconciled.**

### Finding No. 13: Food Production and Menu Record

Title 7, Section 210.10, Code of Federal Regulations, requires that the District prepare and keep food production and menu records to document meal pattern requirements. The Department of Food and Nutrition's Procedure No. C-6, *Production and Menu Record*, requires the completion of daily production and menu record forms to document compliance with the meal pattern requirements and to monitor the quantities of food items used in the preparation of meals.

Production and menu record forms, prepared daily by each school cafeteria, provide information as to the description of each food item used, the size of the serving, the bulk quantity used and unit size, the number of leftover servings brought forward from the prior day, the number of leftover servings for the current day, total servings used, the number of planned meals, and the actual number of meals served. The actual number of meals served by each cafeteria is obtained from meal count reports produced by the District's computerized cafeteria point-of-sale system. Properly completed production and menu record forms provide information for verifying the accuracy of the reported number of meals served by each school cafeteria, and for verifying the reasonableness of food usage.

As similarly noted in previous audit reports, most recently in our report No. 2008-158, we noted that the production and menu record forms were often incomplete and not accurately prepared. Our current review of the production and menu record forms selected from 12 school cafeterias for a one-week period disclosed instances in which procedures were not followed in preparing required forms, as follows:

- For 57 production and menu record forms tested, District personnel did not complete 16 breakfast and lunch production and menu record forms at three schools and 5 breakfast production and menu records forms at one school.

- The servings available, plus leftover servings brought forward from the prior day, minus leftover servings for the current day were not properly calculated to equal the correct number of total servings used on 13 (36 percent) of 36 breakfast production and menu record forms tested at four schools and 31 (76 percent) of 41 lunch production and menu record forms tested at eight schools.
- We selected a total of 40 production and menu record forms from one elementary, four middle, and three high schools cafeterias to determine whether District personnel properly completed the forms for a la carte items, and noted that District personnel either did not prepare or did not properly complete 22 forms.
- District personnel did not complete or incorrectly coded the "Planned Use for Leftovers" column on 15 (37 percent) of 41 production and menu record forms tested at two schools. Also, District personnel did not always properly complete the "Portions Brought Forward" and "Portions Left Over" columns on 36 (88 percent) of 41 production and menu record forms tested at eight schools. Although the production and menu record form provides a space for entering the total number of portions served based on physical counts and the number of portions served per the point-of-sale system, there was no documented explanation or investigation of significant differences between these two numbers.

Preparing the production and menu record forms inaccurately or inconsistently diminishes the usefulness of the forms for management control purposes and increases the risk of unauthorized or inefficient usage of District resources.

**Recommendation: The District should enhance procedures to ensure the accuracy and effectiveness of production and menu record forms. Also, management should routinely review the production and menu record forms for reasonableness and to ensure that the procedures are properly followed and the forms are accurately prepared. Furthermore, the District should implement procedures to fully reconcile significant differences between the physical counts of portions served and the portions served per the point-of-sale system.**

## Motor Vehicles

### Finding No. 14: Monitoring Fuel Efficiency

The District spent approximately $5.4 million on gasoline and $2 million on diesel fuel during the 2009-10 fiscal year. The principal system used for dispensing fuel to the District's fleet system is the Vehicle Information Transmitter (VIT). The VIT system uses a fuel tracking device installed in the fuel tank area of the vehicle to track fuel distributed through the fuel pumps located at the District's transportation centers. The tracking device activates the fuel pump and allows the user to obtain fuel without the use of a fuel card or pin number while capturing data that allow management to generate fuel consumption reports for each vehicle. The District's Department of Transportation (DOT) is responsible for monitoring vehicle fuel usage and when unusual usage is detected, it is reported to the responsible department for investigation. The reasonableness of fuel consumption is the responsibility of each department that owns or utilizes District vehicles. The system generates various consumption reports for vehicles that are fueled through the system. To monitor the fuel efficiency of vehicles, automated fuel exception reports were provided to the DOT for review. The reports showed the date and time of the fueling, gallons of fuel consumed, unit and total cost of the fuel consumed, average miles per gallon, and vehicle odometer reading at the time of the fueling. However, since the implementation of the fleet management system in October 2009, these exception reports were no longer available.

As similarly noted in previous audit reports, most recently in our report No. 2008-158, the District's fuel consumption reports contained errors in vehicle odometer readings that distorted the calculation of the miles driven between refueling transactions. Also, the District had not implemented procedures to require evidence of management's review and resolution of fuel consumption report exceptions. Our review of fuel exception reports generated for

August 2009 and October 2009 disclosed instances in which the miles driven were not recorded in the automated fuel system for some vehicles. As a result, the average miles per gallon were not calculated for monitoring purposes. Also, there was little or no documented evidence that the errors or exceptions noted on fuel reports were ever resolved or corrected by management. Furthermore, since fuel exception reports were no longer available after October 2009, management's monitoring of the fuel efficiency for District vehicles was limited and the risk of unauthorized usage of District fuel increased.

According to District personnel, certain procedures are in place to analyze and correct odometer errors and mileage related anomalies as they are identified. Also, upon request, a report can be generated that records fuel usage and calculates miles per gallon for District vehicles. District personnel further indicated that they have requested its fuel management system provider to develop an automated report that would assist in identifying exceptions in odometer readings, miles per gallon calculations, as other discrepancies.

**Recommendation: The District should continue its efforts to ensure that an automated fuel exception report is developed and provided to the DOT to monitor fuel usage. Exceptions noted should be forwarded to the departments' assigned District-owned vehicles to ensure that unusual transactions identified are timely investigated. In addition, to enhance accountability and control over fuel usage, District records should evidence that the errors or exceptions noted on the fuel reports were resolved or corrected by management.**

## Communication Expenses

### Finding No. 15: Cellular Telephones

The District provided cellular telephones (cell phones) to certain employees for use in performing their duties. According to District's records, over 1,100 wireless devices were used during the 2009-10 fiscal year at a cost of approximately $900,000. District personnel indicated that approximately $370,000 of these expenditures were for flat rate BlackBerry data services, leaving approximately $530,000 for cell phone expenditures.

The District required cell phone users to complete and sign a cellular telephone policy statement form that, in part, provided that cell phone calls should be as brief as possible and restricted to essential District business or emergencies. The District's procedures for the assignment and use of cell phones provided that work location administrators or designees review cell phone billings and then forward the billings to the individual user. The individual user was responsible for reviewing the billing and replying by e-mail to the work location administrator acknowledging the business or personal use of the calls. The work location administrator was responsible for ensuring that all cell phone users replied for each billing cycle and for summarizing the user's reply in a summary phone bill report that was forwarded to the Director of District Communication Management. Reimbursement for personal calls were at $0.07 per minute. If charges for personal calls during one month totaled less than $10, the cell phone user held payment and combined the reimbursement with those required in subsequent billing cycles.

Our review of bills for one billing cycle for 24 cell phone users to determine the reasonableness of cell phone usage disclosed the following:

- For 8 of the 24 bills reviewed, the employee did not timely document their review of the bill and the purpose of the calls. In some of these instances, District personnel did not review the bills until subsequent to our audit inquiries. We noted that employees documented the review of calls made either by e-mail to the supervisor or on the bill. However, for 22 of the bills, the summary phone bill report had been not completed and there was no evidence showing that the supervisor had summarized the business or personal

use of the employee calls and forwarded the information to the Director of District Communication Management.

- Ten of the employees made personal calls in the billing cycle reviewed, and eight of these employees had personal calls exceeding 30 minutes in one billing cycle. For two of these employees, the personal minutes used were 894 and 990 minutes, respectively, and for the other six, personal minutes ranged from 34 to 141 minutes. In addition, for two employees with personal calls exceeding $10 for the billing cycle, reimbursements of $69.35 and $62.57, respectively, were not submitted until subsequent to our audit inquiries, which was approximately five months after the billing cycle. One of these employees reimbursed the District $313.98 on April 9, 2010, which included personal calls made from July 2009 through March 2010. In these instances, the cell phone usage and timeliness of reimbursements of personal calls were contrary to the District's established procedures.

Failure to properly monitor authorized cell phone use and amounts due from employees for personal calls limits the District's assurance that such use is restricted to essential District business or emergencies and that personal calls are promptly reimbursed pursuant to District procedures.

**Recommendation: The District should improve its monitoring procedures to ensure that cell phone use is in accordance with its policies and procedures.**

## Student Enrollment

### Finding No. 16: McKay Scholarship Program

Pursuant to Section 1002.39, Florida Statutes, the John M. McKay Scholarships for Students with Disabilities Program (Program) provides funding to parents of eligible students with disabilities for their children to attend an eligible private school, or the opportunity for their children to attend a public school other than the one assigned. To communicate the availability of this funding, Section 1002.39(5)(a), Florida Statutes, provides that by April 1 of each year a school district shall notify the parent of these education options, inform the parent of the availability of the Florida Department of Education's telephone hotline and Web site for additional Program information, and offer the parent an opportunity to enroll their student in another public school within the District. During the 2009-10 fiscal year, the Program provided scholarships, totaling approximately $29.5 million, to 4,070 Miami-Dade County students.

The District included Program notifications in several places on its Web site and, according to District personnel, parents were informed of the Program during the students' individual educational planning meetings. However, the District did not maintain records evidencing that parents were notified of the options available under the Program by April 1 of each year. In addition, our review of files for 18 students with disabilities disclosed no evidence indicating when the Program information was provided directly to the parents. While there is no statutory requirement for the District to maintain these records, without such records, the District is limited in its ability to demonstrate that parents were properly notified.

Subsequent to our review, District personnel informed us that there were plans to improve the documentation of parental notification to be more transparent (i.e., an attachment for school administrators to complete with the actual dates that the Program information will be distributed to the parents and a web-based electronic system providing the same detailed information).

**Recommendation: The District should continue its efforts to ensure that it properly notifies parents of eligible students with disabilities of the educational opportunities provided by the John M. McKay Scholarships for Students with Disabilities Program, and maintain evidence of such notifications.**

**Follow-up to Management's Response:**

***The District's response indicates that all requested documentation was provided. We requested that the District provide evidence that parents were informed of the John M. McKay Scholarships for Students with Disabilities Program, and the District provided a "fact sheet" that the District distributed to school personnel notifying them of the requirement to notify the parents or guardians. However, although requested, we were not provided records, such as parental or guardian address listings and related form letters, evidencing proper notification of these parents or guardians.***

## Information Technology

### Finding No. 17: Security Awareness

Security awareness by employees is important to minimize misuse of data and information technology (IT) resources. Included in the data maintained by the District's IT systems are significant nonpublic records (e.g., student record information and other records that contain sensitive information). Typical means for establishing and maintaining awareness include requiring users to annually acknowledge a statement of their awareness and acceptance of responsibility for security.

District personnel indicated that when new employees log on to the District's computer portal for the first time, they must indicate concurrence with the acceptable use policy before they can proceed to use the District's computer. However, after the first log-on, the District did not require users to annually reconfirm their security responsibilities. In response to our inquiry, District management stated that they planned to renew user acceptance of security responsibilities annually, but the plan was not implemented because of other priorities. Annual acknowledgment of security responsibilities would reduce the risk that IT users will unintentionally compromise District data and IT resources while performing their assigned duties.

**Recommendation: The District should require that its users annually certify acceptance of their responsibilities for maintaining security over District data and IT resources.**

### Finding No. 18: User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain District security controls related to user authentication that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising District data and IT resources. However, we have notified appropriate District management of the specific issues. Without adequate security controls related to user authentication, the confidentiality, integrity, and availability of data and IT resources may be compromised, increasing the risk that District data and IT resources may be subject to improper disclosure, modification, or destruction.

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

**Finding No. 19: Separation of Duties**

Access controls are intended to protect data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data. Further, effective access controls provide employees access privileges that restrict employees from performing incompatible functions or functions outside of their areas of responsibility. Periodically reviewing IT access privileges assigned to employees promotes good internal control and is necessary to ensure that employees cannot access IT resources inconsistent with their assigned job responsibilities.

In November 2008, the District engaged a consultant to review various aspects of the District's implementation of a new Finance system. Among the areas reviewed by the consultant were security and user access related to the new Finance system, which was implemented in January 2010. In connection with the consultant's review, the District was notified of areas for improvement including, in part, establishing and reviewing standardized security roles and related access privileges that enforce an appropriate separation of incompatible duties and logging and review of transactions executed via superuser roles with elevated access privileges.

During the course of our audit, we inquired as to the status of the District's actions to address the areas of improvement noted by the consultant. As of December 9, 2010, District actions to address the consultant's observations were pending.

The District had controls in place (e.g., budgetary restrictions) to mitigate some of the risks related to the areas needing improvement noted above. In addition, in some situations, automated work flow approval restrictions within the system limited the ability of one individual to perform multiple steps in a process. For example, we observed system procedures demonstrating that requisition data input and approval for amounts above $6,000 could not be performed by the same person, even when the person had the access privileges to perform both functions.

Nevertheless, without careful analysis and review of requested and assigned security roles and review of system actions taken therewith, the risk is increased that inappropriate and unnecessary security roles and related access privileges may be granted that are contrary to an appropriate separation of duties and that such roles and privileges may be misused to jeopardize the confidentiality, integrity, and availability of District data and IT resources.

**Recommendation: The District should continue its efforts to improve its management of Finance system access to ensure that security roles and access privileges enforce an appropriate separation of duties.**

## PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2008-158.

## 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 January 2010 to December 2010 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: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in our report No. 2008-158. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

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

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

## 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.

David W. Martin, CPA
Auditor General

## MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

## EXHIBIT A
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Security awareness program. | Reviewed the District's Acceptable Use Policy and Network Security Standards to determine whether the District's users are made sufficiently aware of their security responsibilities. |
| Change control procedures. | Examined examples of change request documentation and selected production update promotion system procedures to determine whether changes are appropriately authorized, tested, and approved. |
| Logical access controls for restricting users to authorized transactions and functions, including termination procedures. | Reviewed procedures for requesting new or changed access, requesting password resets, and obtaining periodic management review of the access capabilities of subordinates. Reviewed members of the network domain administrator group and business application user role assignments. Tested a sample of separated employees for the removal of access capabilities. |
| Separation of duties. | Reviewed and observed security administration processes for assigning access capabilities, observed requisition entry and approval processes, and inquired as to the District's use of built-in separation of duties analytical tools in the new Finance system. |
| User identification and authentication controls. | Examined the domain password policy and the mainframe password settings to determine whether the District's systems are reasonably protected from access by unauthorized persons. |
| Audit logging and monitoring. | Examined the Network Audit Policy, network security reports, examples of mainframe security history, system, and data change logs, and the log retention policy to determine whether the District has a reasonable means of detecting unauthorized activity on its systems. |
| Transfer of account balances from the former system's general ledger to the new Finance system's general ledger. | Reviewed files and spreadsheets showing the reconciliation process to determine whether selected balances had been correctly transferred from the former Finance system to the new Finance system. |
| Sunshine Law requirements for Board advisory committee meetings (i.e., proper notice of meetings, ready access to public, maintain minutes). | Tested Board advisory meetings held during the audit period and examined supporting documentation evidencing compliance with Sunshine Law requirements. |
| Fraud policy and related procedures | Examined written policies, procedures, and supporting documentation related to the District's fraud policy and related procedures. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Social security numbers. | Examined supporting documentation to determine whether the District identified, in writing, the specific law governing the collection, use, or release of social security numbers and that it had provided individuals with a written statement as to the purpose of collecting social security numbers pursuant to Section 119.071(5)(a)4., Florida Statutes. |
| Audits of direct-support organizations. | Reviewed the District's direct-support organizations' audit reports to determine whether the audits were performed pursuant to Chapter 10.700, Rules of the Auditor General, and Section 1001.453, Florida Statutes. |
| Charter school administrative fee. | Reviewed records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes. |
| Financial condition. | Applied analytical procedures to determine whether the General Fund unreserved fund balance at June 30, 2010, was less than the percents of the Fund's revenues specified in Section 1011.051, Florida Statutes. |
| Procedures to ensure that deficiencies noted in annually required safety inspections were timely resolved. | Reviewed safety inspection reports of District facilities and examined supporting documentation to determine the current status of any deficiencies identified in the reports and whether the District timely resolved such deficiencies. |
| Five-year facilities work plan. | Reviewed the current five-year facilities work plan to determine whether the District complied with Section 1013.35, Florida Statutes, and maintained records that supported the amounts reported on the plan. |
| Restrictions on use of nonvoted capital outlay tax proceeds and Public Education Capital Outlay (PECO) moneys. | Applied analytical procedures, tested payments made from nonvoted capital outlay proceeds and PECO moneys, and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay proceeds and PECO moneys. |
| Procedures for architect errors and omissions. | Reviewed architect and engineer contracts to determine whether the District had eliminated the errors and omissions allowance provision from the contracts granted to these professionals. |
| Procedures for construction project closeout. | Examined capital construction project files and other supporting documentation to determine the effectiveness of the District's construction project closeout procedures. |
| Guaranteed maximum price contract allowances. | Examined capital construction project files and supporting documentation to determine the reasonableness of guaranteed maximum price contract allowances. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Construction administration procedures for construction manager or program management entities. | Examined capital construction projects files to determine whether the construction manager or program management entity contracted with licensed or registered professionals; secured a surety bonds pursuant to law; received prior written approval from the District before bidding on, or performing, any subcontractor work on the project; and properly solicited, evaluated, awarded, and controlled the bids from subcontractors. For subcontractors, determined that signed and dated bid tabulation sheets and copies of bids were on file and used to monitor payments; subcontractors with the lowest and best bid were selected; and that reports indicating that actual cost savings occurred were received. |
| Procedures for monitoring purchased food costs per meal. | Tested schools' annual purchased food costs per meal to determine whether the District effectively monitored purchased food costs and whether the reasons for significant variances from the average purchased food cost per meal were documented and resolved timely. |
| Procedures for monitoring purchased food inventory turnover rates and related reconciliations. | Tested schools' purchased food inventory turnover rates to determine whether the District effectively monitored purchased food inventory and whether the reasons for significant rate variances from the average inventory turnover rate were documented and resolved timely. |
| Procedures for completion of daily food production and menu records. | Tested daily production and menu records to determine whether the District properly documented compliance with meal pattern requirements and monitored the quantities of food items used in the preparation of meals. |
| Restrictions on use of Workforce Development funds. | Reviewed restrictions on the use of Workforce Development funds and transfers made from these program funds to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs). |
| Procedures for verifying records of students registered in the Workforce Development Education Program. | Tested students enrolled in the Workforce Development Education Program to determine whether the District verified social security numbers presented by students at registration. |
| Adult general education program enrollment reporting. | Tested adult education students from Florida Department of Education (FDOE) records and examined supporting documentation to determine whether the District reported instructional and contact hours in accordance with FDOE requirements. |
| John M. McKay Scholarships for Students with Disabilities Program. | Tested students in the Students with Disabilities Program to determine whether the District annually provided to the parent information regarding all available options under the John M. McKay Scholarships for Students with Disabilities Program. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Procedures for issuing diplomas. | Reviewed procedures to determine whether the District maintained appropriate control over student diplomas. |
| Procedures for monitoring of employee overtime payments. | Applied analytical procedures and reviewed supporting documentation to determine whether the District effectively monitored employee overtime payments. |
| Procedures for fingerprinting and background checks for personnel that had direct contact with students. | Tested District records for non-instructional personnel who had direct contact with students to determine whether the District had obtained required fingerprint and background checks. |
| Compensation and salary schedules. | Examined supporting documentation to determine whether the Board, for instructional personnel, based a portion of each employee's compensation on performance, and adopted a salary schedule with differentiated pay for both instructional personnel and school-based administrators based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and job performance difficulties. |
| Board member compensation. | Examined supporting documentation to determine whether Board members' salaries were in compliance with Section 1001.395, Florida Statutes. |
| Superintendent's salary. | Examined supporting documentation to determine whether the Superintendent's salary was in compliance with Section 1001.50, Florida Statutes. |
| Performance assessments. | Examined supporting documentation to determine whether the District had established adequate performance assessment procedures for instructional personnel and school administrators based primarily on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes. |
| Procedures for monitoring fuel efficiency of vehicles. | Reviewed supporting documentation to determine the effectiveness of the District's monitoring of fuel efficiency of vehicles. |
| Procedures for monitoring cellular telephone usage. | Determined whether the District evidenced a wireless communication device assignment plan; policies specifying the type and/or level of service for each person; and procedures specifying the methodology to be followed when procuring wireless communication devices. Tested cellular telephone billings to determine that cellular telephone usage was in accordance with established District policies and procedures. |
| Procedures for monitoring charter schools' insurance requirements. | For charter schools sponsored by the District during the audit period, interviewed District personnel, and reviewed supporting documentation to determine whether the District effectively monitored charter schools' insurance requirements. |

## EXHIBIT A (CONTINUED)
## AUDIT SCOPE AND METHODOLOGY

| Scope (Topic) | Methodology |
|---|---|
| Procedures for monitoring purchasing card transactions. | Tested purchasing card transactions and examined supporting documentation to determine whether transactions were effectively monitored, and represented proper expenditures of the District. |

## EXHIBIT B
## MANAGEMENT'S RESPONSE

**Miami-Dade County Public Schools**

*giving our students the world*

**Superintendent of Schools**
*Alberto M. Carvalho*

**Miami-Dade County School Board**
*Perla Tabares Hantman, Chair*
*Dr. Lawrence S. Feldman, Vice Chair*
*Dr. Dorothy Bendross-Mindingall*
*Carlos L. Curbelo*
*Renier Diaz de la Portilla*
*Dr. Wilbert "Tee" Holloway*
*Dr. Martin Karp*
*Dr. Marta Pérez*
*Raquel A. Regalado*

February 9, 2011

Mr. David W. Martin, CPA
Auditor General, State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Mr. Martin:

Attached are our responses to the preliminary and tentative findings and recommendations of the operational audit of the Miami-Dade County District School Board for the Fiscal Year Ended June 30, 2010.

We certainly appreciate the input provided by your audit staff regarding recommendations for improvement and efficiencies of operations; however, as noted in your draft report, we were aware of many of these issues and had taken corrective action or were in the process of taking corrective action during the current year. It should also be noted that, while we do not necessarily disagree with the facts presented, we respectfully disagree with some of your conclusions. As detailed in the management response, we disagree with your conclusions regarding the use of capital outlay funding, construction administration, the McKay Scholarship Program and the user authentication IT security control related to the expiration of user accounts; and respectfully request that consideration be given to our responses and to modifying the report accordingly.

For any questions or comments regarding this correspondence, please, contact Dr. Daniel Tosado, Assistant Superintendent, District Operations at (305) 995-4809, Mr. Jose F. Montes de Oca, Chief Auditor, at (305) 995-1437, or my office at (305) 995-2940. We thank you in advance for your consideration and the opportunity to respond to your draft report.

Sincerely,

Alberto M. Carvalho
Superintendent of Schools

AMC:mtg
L766
Attachments

cc: Dr. Daniel Tosado
Mr. Jose F. Montes de Oca

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

**MIAMI-DADE COUNTY PUBLIC SCHOOLS**
**MANAGEMENT RESPONSE TO PRELIMINARY AND TENTATIVE AUDIT FINDINGS AND RECOMMENDATIONS TO THE OPERATIONAL AUDIT OF THE MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Finding No. 1: Ad Valorem Taxation**

We do not disagree with the factual data presented in finding No. 1; **we disagree with the auditor's conclusions as follows:**

*Revenue Anticipation Note (RANs) Reimbursement*

The transfer of capital outlay millage tax levy proceeds to reimburse the RAN fund are not questioned costs, these costs are ***authorized*** under 1011.14 Florida Statutes. Pursuant to 1011.14 Florida Statutes, the School Board approved District Revenue Anticipation Notes (RANs) Official Statements (OS) for 2000, 2002, 2003, and 2005 which gave the District the legal authority to spend RAN proceeds for capital projects. Legal authority for the use and advertisement of ad valorem taxes to repay RANs is provided for in 200.065(3) and 1011.71 Florida Statutes. The District's 2009 advertised notice of tax for school capital outlay includes the repayment of the RANs.

While expenditures for the RAN fund occurred prior to FY 2009-10, the RAN fund, as is typical of capital funds, will have expenditure activity beyond one year. Capital projects by their nature are multi-year and do not get fully expended in one year. Full reimbursement to the RAN fund was made during fiscal year 2009-10. During the close-out process for Fund 330 (named RAN 2002), it was determined that the additional interfund transfer of $5,543,948 was needed, as reflected in Resolution No. 2, approved by the School Board on May 12, 2010. All expenditures qualify for funding under 1011.71 Florida Statutes, regardless of whether they were paid directly in a Local Capital Improvement (LCI) Fund or in the RAN fund. Alternatively, the District could have closed out the RAN fund by reducing all RAN funded budgets and moving expenditures out of the RAN fund into the LCI fund, which is also authorized under 1011.71 Florida Statutes – this method achieves the same outcome, but is highly inefficient.

*Insurance Expenditures*

Section 1011.71 Florida Statutes allows for the payment of the cost of property and casualty insurance subject to a limit of $100 per unweighted FTE.

The District is self insured up to $100,000/$200,000 per claim for general liability and automobile liability claims. The District is self insured for the first $200,000 for professional liability/errors and omissions claims and is self insured for each and every workers' compensation claim with expenditures up to $1 million. Excess insurance

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
February 9, 2011
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coverage is purchased on all lines of coverage with these self insured retentions/deductibles.

For these self insured programs the District has a contract with a third-party claims administration company to handle any and all claims/liabilities/suits which may be brought against it. The fees paid to the third-party claims administration company to handle property and casualty claims/suits are components of the District's overall casualty (liability/workers' compensation) insurance programs designed to insulate the District from losses stemming from occurrences on District properties. Had the District not been self insured, these fees would have been imbedded in the premium charged by insurance carriers.

Insurance premiums paid for students enrolled in varsity football are for a mandatory casualty insurance program designed to insulate the District from liability associated with football injuries incurred on District facilities.

Insurance premiums paid for the business automobile policy is casualty insurance coverage designed to insulate the District from liability.

*Sick Leave Pay/Terminal Vacation Pay*

Section 1011.71 Florida Statutes allows for payment of expenditures incurred for the "Maintenance, renovation, and repair of existing school plants or ancillary facilities." Expenditures in this section are related to sick leave and vacation pay of maintenance workers. District records detailing the tenure of maintenance workers are maintained in the Personnel System and as such are not part of the standard supporting documentation for the transfer.

**Finding No. 2: Performance Assessments**

One of the components in the new performance instrument for instructional personnel is Learner Progress. The District scheduled several meetings with the United Teachers of Dade to negotiate the impact of Learner Progress (student performance) on the overall evaluation of the instructional personnel.

- Meetings between the District and United Teachers of Dade (UTD) regarding performance assessment have been occurring bimonthly since spring 2010. The next meeting date is February 11, 2011.
- Milestones achieved to date include an action plan which identifies the necessary steps for plan design, evaluation and documentation for implementation.
- May 2011 is the proposed implementation date.

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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School Based Administrators – 51% of the new performance instrument for 2011-2012 will be linked to student performance.

- Proposed language: The performance assessment plans are based primarily on student performance and growth; and school site target objectives, and/or major district objectives, as applicable.
- Proposed language will be added to the Managerial Exempt Personnel (MEP) Manual by February 2011.

**Finding No. 3: Compensation and Salary Schedules**

The differentiated pay provisions are found in the United Teachers of Dade Collective Bargaining Agreement between Miami-Dade County Public Schools (M-DCPS) and United Teachers of Dade (UTD) for instructional personnel and the Manual of Procedures for Managerial Exempt Personnel for school-based administrators.

Human Resources in conjunction with Labor Relations and Compensation Administration will review differentiated pay provisions in both the UTD Collective Bargaining Agreement and the Manual of Procedures for Managerial Exempt Personnel (MEP) to identify potential areas where the criteria and procedures for differentiated pay can be enhanced. In addition, the differentiated pay provisions will be reviewed to ensure they meet the Florida State Statute requirements that differentiated pay is to be based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

Once the areas of corrections are identified, corrections for the United Teachers of Dade Collective Bargaining Agreement will be made through a Letter of Understanding (LOU) or Memorandum of Understanding (MOU) where applicable. Corrections for the Manual of Procedures for MEP will be recommended for School Board action no later than the early part of the 2011-2012 school year.

- Proposed language: Compensation is linked to student performance, and differentiated pay based on district-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance. Managerial Exempt Personnel may be eligible for salary increments, supplements and/or stipends as approved by the School Board.
- Proposed language will be added to the MEP Manual by February 2011.

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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**Finding No. 4: Annual Facility Inspections**

As the result of a directed District effort at the four schools reviewed by the Auditor General (AG), a majority of the deficiencies were corrected. District records indicate that 87 of 220 deficiencies remain unresolved at the four schools, and of those, 83% are "Capital" in nature. These items have been captured in the District's master facilities deficiency database and will be addressed in future Capital projects as funding becomes available. No remaining items pose an imminent hazard to students or staff.

The broader issue of identifying funding to resolve the District's approximately $1.7 billion in unmet facilities needs must be addressed or it can be expected that the number of safety-to-life and other critical deficiencies will continue to mount as resources to correct them diminish.

**Finding No. 5: Collection of Social Security Numbers**

Miami-Dade County Public Schools collects and uses social security numbers for the sole purpose of processing applicants for employment and updating current employee master data when applicable. In order to be in compliance with Section 119.071(5)(a), Florida Statutes, the Office of Human Resources collaborated with the School Board Attorney's Office, to develop a comprehensive list of reasons why social security numbers are collected. This information is posted on the Employee Service Center's website and also in the Employee Portal.

In January 2010, the Office of Human Resources created a procedure that, as part of the on-boarding of applicants, an applicant must visit the Employee Service Center to complete several required forms (I-9, W4, and FRS forms) for employment. At that point, the applicant is given a notice identifying the need for and use of social security numbers in M-DCPS.

**Finding No. 6: Monitoring Charter School Insurance Coverage**

The Charter School Operations (CSO) department utilizes the Charter School Compliance System (CSCMS), a web-based software which collects pertinent documents and/or information to ensure contractual and legal compliance, including insurance coverage. However, CSO does not possess the in-house expertise to properly monitor and review insurance coverage of charter schools. Therefore, following the 2008 audit finding, CSO revised its monitoring process which included the delegation of this responsibility to the Office of Risk and Benefits Management (Risk and Benefits). Risk and Benefits maintains a charter school insurance database which tracks the insurance coverage of all charter schools.

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
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For the 2009-2010 school year, the review process developed is described below:

All charter schools were required to upload their insurance documents into CSCMS for review. The insurance documents were reviewed and all pertinent information uploaded into the Risk and Benefits database for further analysis of content. If coverages were satisfactory, schools were to be notified of that fact via CSCMS. If any deficiencies were identified, schools were to be notified as to the details of the non-compliance and provide a timeline for cure, via email.

However, it was discovered in the beginning of the 2010-2011 school year that a programming issue with CSCMS resulted in limited CSCMS access for Risk and Benefits resulting in the inability to access and conduct a timely review of all documents that had been uploaded. To resolve this issue, in August 2010, CSO staff scanned and forwarded all uploaded documents to Risks and Benefits for review and worked cooperatively to obtain documents not uploaded.

Recognizing the need to enhance the review process by including better checks and balances, in September 2010, CSO met with Risk and Benefits to revisit the monitoring process. The new process has been revamped as follows:

> For new schools opening in August 2011, all insurance documents are due to CSO 30 days prior to school opening. (This requirement is sent out multiple times to all new schools, in writing). Charter School Operations will ensure that the insurance information for the new schools that are obtained during on-site visits are scanned and forwarded directly to Risk and Benefits for review, prior to the school's upload to CSCMS. Existing charter schools will be required to upload the documents to CSCMS in August. CSO will assign this CSCMS benchmark to a CSO staff member to simply ensure that by September of each year all schools have properly uploaded their most recent insurance information to CSCMS, providing an opportunity to ensure receipt of all documents and immediately contact any schools that have not complied, in a timely fashion. CSO will then notify Risk and Benefits that the verification process has been concluded so that it may access the documents on CSCMS and commence its analysis. Should there be any problems, both departments can work cooperatively in a timely fashion to cure the issues. It is anticipated that by the end of September 2011, Risks and Benefits will review and assess compliance, thereby ensuring compliance during the first few months of the school year.

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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**Finding No. 7: Facilities Work Program**

District procedures have been updated and the 2010-11 Facilities Work Program includes additional schedules to comply with required information. Capital revenue options are published in the District's Executive Summary for Tentative Adoption of the 2010-11 Budget (see pages 15-22 from the following District website link): http://financialaffairs.dadeschools.net/ES10-11/appB.pdf

**Finding No. 8: Architectural and Engineering Errors and Omissions**

As acknowledged by the Auditor General, the contracts for architectural and engineering (A/E) services were revised during FY 2009-10 to address this matter and are currently being used on recently awarded projects. The new contract provisions contain no forgiveness or threshold for A/E errors and omissions. (See Attachment 1, the first of these contracts executed, which became effective as of June 16, 2010 for the State School "LLL1" project).

**Finding No. 9: Construction Administration**

As acknowledged by the Auditor General, the District is requiring that *"A written explanation and appropriate backup documentation must be included for any recommended subcontractor other than the apparent lowest subcontractor"* to be provided by the CM. This measure has been implemented since September 2010 in an abundance of transparency and clarity, although the CM contract did not require a written explanation in these instances.

With regard to the two GMPs where the "apparent" low bidders were not selected, it was confirmed and communicated to the AG that the lowest responsive bidder was in fact used for each project.

**It is not clear why an exception is included in the audit findings with regard to the projects cited,** as there are no specific provisions in the CM contract that the CM provide written explanations for not using lowest "apparent" subcontractor bids.

**Finding No. 10: Project Closeouts**

As acknowledged by the Auditor General, through a concerted effort on project closeout, the District has reduced the number of open projects by 78%, from 1,693 in 2007-2008 to 376 at the present time. The District withholds final payment on projects where work remains to be completed. In instances where work has been completed contractor

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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payments are typically not withheld; however, final payment is not made to the architect/engineer until any remaining administrative matters are resolved.

**Finding No. 11: Monitoring of the Purchased Cost of Food**

The Department of Food and Nutrition conducts data analyses of key performance indicators using the on-line Decision Support System (DSS) and on-site administrative reviews. Program compliance issues are documented and corrective action is conducted when non-compliance is observed. Complete implementation of the DSS will further enhance the monitoring of key performance indicators among the district's schools by the Department of Food and Nutrition. The DSS Pilot Program is scheduled for May 2011. Implementation of DSS is planned for August 2011.

**Finding No. 12: Purchased Food Inventory Turnover Rates and Related Reconciliations**

The Department of Food and Nutrition documents school site monthly inventory in the Food Service Inventory System. Food and Nutrition staff review food orders for each school on a weekly basis and monitor the school inventory reports monthly in conjunction with meal participation.

Food service managers at school locations are required to conduct physical inventory counts at the end of each month. Food and Nutrition staff review inventory and provide assistance and adjustments to food orders for assigned sites. Monthly reconciliations of physical inventory counts based on prior month's balance adjusted for food purchases and issues during the month are not performed.

Complete implementation of the DSS will include a feature specific to food inventory control management at the site level that will further enhance the monitoring of key performance indicators among the district's schools by the Department of Food and Nutrition.

**Finding No. 13: Food Production and Menu Records**

The Department of Food and Nutrition continues to provide monitoring, technical assistance and staff development to Food Service Managers regarding the Production and Menu Records. The Department of Food and Nutrition's on-line Decision Support System (DSS) will have a feature specific to food management at the site-level that will automate sections of the Menu and Production Record and improve controls on food usage documentation at the school site level. Complete implementation of the DSS will

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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improve monitoring capabilities and enable timely resolutions of problems associated with the current manual records.

**Finding No. 14: Monitoring Fuel Efficiency**

The Department of Transportation Vehicle Maintenance Section obtains a fuel report each month detailing fuel usage. This report is forwarded to each department head for appropriate action.

The Department of Transportation vehicles are carefully monitored to identify exceptional fuel usage. When exceptions are identified corrective actions are initiated which include vehicle repair/adjustment, data entry correction, and if fraud is suspected, police intervention is requested.

A detailed fuel usage exception report has been developed by the District's fuel tracking system vendor as of January 2011. The report identifies exceptions in fuel usage for all vehicles utilized by the District in all departments.

**Finding No. 15: Cellular Telephones**

District management concurs that accountability for cellular telephone usage should be improved and is implementing measures to reduce the District's overall expenditures for this service while simplifying the monitoring of employee airtime usage. The actual cost of District-paid wireless services, including BlackBerry data and cell phone voice usage, during the 2009-10 fiscal year was approximately $900,000. This amount includes flat rate BlackBerry data charges of approximately $370,000; consequently, actual voice service expenditures for District-issued cell phones totaled approximately $530,000.
In order to improve accountability and streamline monitoring procedures for cellular airtime expenditures, as recommended by the Auditor General, the District has requested and received new bids for cellular telephone service that include an option of a flat monthly rate for unlimited voice airtime. The District's cellular use policy is being revised to ban any personal use unless the employee agrees to pay the flat monthly airtime charge. For employees who elect this option, payments will be made through automatic payroll deduction and the employee will have unlimited personal use of cellular voice services on their District-issued phone.

The new policy will thereby eliminate the need of reimbursement for individual personal calls since employees that decline the flat monthly airtime option shall certify in writing that no personal calls will be initiated or received on their District-issued cellular phone. To ensure compliance, audits of bills for those employees that decline the flat rate

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)



option will be performed and individuals found to violate the new policy will be subject to appropriate disciplinary action.

**Finding No. 16: McKay Scholarship Program**

As stated in Section 1002.39 Florida Statutes, (5) School District Obligation: Parental Options (a) 1. By April 1 of each year and within 10 days after an individual education plan (IEP) meeting, a school district shall notify the parent of a student with a disability of all options available pursuant to this section, inform parents of availability of the department's hotline number and internet website for additional information on John McKay Scholarships, and offer the student's parent an opportunity to enroll the student in another public school within the district. This requirement is also incorporated as part of School Board Rule 6Gx13-6A-1.331.

The District has initiated the following proactive procedures to enhance the parental communication on McKay Scholarships and the verification process in the future as a result of recommendations made by the auditors:

- Parent Fact Sheet will be posted on the MDCPS student, parent, and community portals (Implementation Date: February 2011).
- The District has developed a new web-based IEP and a section will be inserted within the IEP to document notification to parent(s) within 10 days of the IEP meeting (Insertion in Web System Implementation Date: 2011-12 FY).
- The Weekly Briefing will include an attachment for administrators to return to the District indicating the date that the Fact Sheet was distributed to students by April 1.

**It is our position that MDCPS adheres to the District's obligation for McKay notification to parents as referenced in the aforementioned statute and School Board Rule.**

The District procedures for notifying and informing parents are as follows:

- An electronic Weekly Briefing is sent to All Principals/AP's Subject – John McKay Scholarship for Students with Disabilities Program – Parent Notification (Weekly Briefing #7462 issued February 17, 2010). The directions and attachments in the Weekly Briefing clearly specify the action steps, requirements and provide the Information Hotline number and the School Choice Website. In addition, the information is accessible to parents at our website http://ese.dadeschools.net/.

- A notification verification form documenting the aforementioned process is submitted annually in accordance with requirements and was last submitted on April 8, 2010.

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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All of the documentation requested was provided to the auditor for review and consideration. It should be noted that there is no specified method to document or provide evidence demonstrating distribution of notifications and/or information to parents in either the Florida Statutes or School Board Rules., the Florida Department of Education's (FDOE) Technical Assistance Paper - McKay Scholarship Program Database reporting, 2010-11, or FDOE - Exceptional Student Education Compliance Self-Assessment: Process and Procedures Manual 2009-10. It is important to note that MDCPS has the highest percentage of McKay Scholarship students enrolled in private schools ( i.e. 19%) in Florida, as referenced in the FDOE John M. McKay Scholarship Program June Quarterly Report of 2010, which indicates that the District is doing an excellent job of communicating the availability of this choice option to parents.

**Finding No. 17: Security Awareness**

Information Technology Services concurs with this observation and will be implementing an application on our Portal that will force users to reconfirm acceptance of their responsibilities on an annual basis. A screen with links to the requirements will be presented to the user at the appropriate time. The user will be required to accept the responsibilities by checking a box stating that they have read and accepted the policies, and then clicking on the highlighted "Accept" button. The user will be unable to continue into the Portal without accepting what is presented. The date and time of their acceptance will be stored in a database so that the requirement can be fulfilled annually. The District already has this for first time users, and that application will be converted to function yearly. This will be in place by March 1, 2011, assuming approval from the District HR and School Operations offices.

**Finding No. 18: User Authentication**

District management has reviewed these recommendations and we will be implementing some of them and considering the feasibility of implementing some of the others.

**Finding No. 19: Separation of Duties**

The District concurs with this recommendation and will implement the Governance and Risk Compliance (GRC) module of SAP in Production and run it against roles to determine possible Segregation of Duty issues. It will also develop SOD standards that are more in line with our current processes. At that point either problem roles will be changed so that there is a division of duty, or some other acceptable mitigation (reports, alerts, etc.) will be developed in conjunction with the Business Process Owners (BPO), and our internal auditors will be asked for their recommendation. We will also determine

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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best practices for the use of the Superuser (Firefighter role; a role that temporarily extends the authorization of the user) and how to provide an audit trail and notification regarding how it has been used. Additionally, we will request funding for GRC training for all stakeholders in the 2011-12 budget to insure best practices are implemented. Our plan is that GRC will be put into Production after Payroll is implemented, run parallel for at least nine months, and appears to be stable because it would cause a disruption in our operations to implement before this point.

We are planning on the following dates:

- Implement GRC — December 7, 2011
- Review and revise SOD documents and standards — January 7, 2012
- Produce non-SOD reports re: user role provision — August 31, 2011
- Determine best practice for FireFighter role and logs — February 15, 2012
- Complete meetings with BPO's re: SOD mitigation — March 15, 2012
- Implement mitigations — August 15, 2012

As it currently stands, the District, especially the BPOs, have gained experience with the ERP system and have generated a number of requests to revise roles to more finely hone access. This process is ongoing.

It should be noted, however, that the District has literally thousands of staff members whose actual duties differ from those described in their job descriptions. The duties tend to be defined at the location level by the supervisor. This makes it almost impossible to create a valid set of roles District-wide. If everybody with the job title Data Entry Clerk was given all the possible roles, all these employees would end up with a great deal more access than they really need. This was confirmed by our preliminary Role to Position Mapping (R2PM) surveys. There are a number of jobs like this one in the District.

Another item to note is that the Quad A application, developed to allow site supervisors to control the access of their own staff by adding or removing roles, creates an SOD conflict itself. The supervisor must have all the possible roles their staff will need in order to provide it, including combinations of roles that might be in conflict. However, the Quad A system, which also automatically terminates access when there is an employee termination or location change, employs the principle of "Least Privilege", which has worked well for the District for the last 25 years. With this precept, staff starts with no access and must be given authorizations and roles by their site supervisor. In addition, many locations have a small office staff and, simply do not have enough clerical staff to separate the supply ordering and receiving duties among several staff members.

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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All of these issues will have to be taken into account when determining how to handle SOD conflicts and their possible mitigations. As stated above, the ITS will include the Audit Department and the BPOs as we move forward with these decisions. These would include the Budget, Finance, Accounting, HR, Risk, and Payroll departments, among others.

**EXHIBIT B**
**MANAGEMENT'S RESPONSE (CONTINUED)**

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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# ATTACHMENT

## EXHIBIT B
## MANAGEMENT'S RESPONSE (CONTINUED)

Miami-Dade County Public Schools
Management Response to Operational Audit FYE June 30, 2010 (Continued)
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Attachment 1
Page 1 of 3
Finding/Recommendation No. 8

Attachment 1

**RENOVATIONS**

**AGREEMENT**

**FOR PROFESSIONAL SERVICES**

**BETWEEN PROJECT ARCHITECT/ENGINEER AND**

**THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

THIS AGREEMENT made this **16th** day of **June** A.D. **2010**, by and between THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, hereinafter called the BOARD, and **R.J. HEISENBOTTLE ARCHITECTS, P.A.**, hereinafter called the A/E.

**WITNESSETH:**

THAT WHEREAS the BOARD intends to perform **REMODELING AND RENOVATIONS AT 1570 MADRUGA AVENUE, CORAL GABLES FOR STATE SCHOOL "LLL-1", A NEW SENIOR HIGH SCHOOL FOR INTERNATIONAL STUDIES (TO RELIEVE CORAL GABLES SENIOR HIGH SCHOOL), PROJECT NO. 00254300** hereinafter called the Project; and

WHEREAS, the A/E has attested that the A/E possesses the qualifications, the willingness and the ability to provide the required services in accordance with the terms and conditions of the AGREEMENT for PROFESSIONAL SERVICES, hereinafter referred to as the AGREEMENT.

NOW, THEREFORE, the BOARD and the A/E, for the consideration hereinafter named, agree as follows:

The A/E AGREES TO PERFORM, for the above named Project, professional services as hereinafter set forth.

The BOARD agrees to pay the A/E for such services a lump sum fee of **$554,000**, the said fee hereinafter referred to as the "BASIC RATE", which includes, but is not limited to, payment for Basic Services and FISH up-dating services. Other payments and reimbursements shall be as hereinafter provided. The total compensation shall consist of the "BASIC RATE" amount for Basic Services, including the amount for FISH up-dating services, and other payments and reimbursements as hereinafter provided.

The term of the AGREEMENT shall commence on the date that the BOARD commissions the A/E, and shall end on the date that the A/E submits its response to the BOARD's Post-Occupancy Evaluation Report, or the A/E's end-of-warranty report, whichever is later, except that insurance shall remain in force and records shall be retained beyond this term, as specified herein.

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E. In the event Alternates, which exceed the current construction budget, are requested by the BOARD, other than Alternates included in the Final Scope Definition Program, which require A/E services and which alternates are not implemented later, the A/E will be compensated either with a negotiated lump sum amount, or on a direct salary expense basis, whichever is less and is approved by the BOARD. Alternates, which do not exceed the current construction budget, are part of the Basic Services fee and will not incur cost to the BOARD.

F. If any work designed or specified by the A/E is suspended, in whole or in part, other than as defined in Subparagraphs C, D and G of this Section, the A/E will be paid for services rendered on account of Work suspended. Such payment shall constitute full and final payment for that service and shall not be subject to later revision. Reinstatement of a Project suspended under this contract does not in itself constitute re-use of plans.

G. The BOARD reserves the right to suspend the Project at any time. In such event the A/E will be compensated in accordance with the level of completion the A/E has achieved at the time notice of suspension is served.

H. The Board shall maintain a record of changes to the Work which result in additional cost(s) to the Board, including but not limited to, Change Orders, Contingency Adjustments, and any other costs incurred by the Board for additional Work arising out of the performance of the A/E's services under this Agreement. Changes to the Work identified pursuant to this provision shall be categorized by the Board according to the various types and causes for changes in the Work that the Board may use for its own purposes. Among the various causes for issuing a change to the Work shall be those identified as architectural/engineering errors or omissions. The Parties agree that any changes to the Work identified by the Board as an error and/or omission on the part of the A/E (including its Designated Specialists or other consultant(s)) shall be considered for purposes of this Agreement to be an additional cost to the Board, which would not be incurred without the error and/or omission. The Board shall be entitled to seek reimbursement from the A/E and/or its insurer for the total additional cost(s) related to the errors and omissions. The Board's obligation to maintain a record of changes to the Work shall in no way limit its right to recover against the A/E or its insurer for claims related to errors and omissions committed by the A/E.

The Board reserves the right to withhold from the A/E's fees or A/E's request for payment such amounts for the A/E's errors and omissions, as determined by the Board, after a meeting with the A/E and Board staff. The A/E shall retain all rights to assert a claim to recover any amount so withheld. The A/E recognizes that the Board's right to withhold payments is a material inducement to the Board entering into this Agreement. Withholding any monies herein shall not be deemed a default and/or breach of this Agreement by the Board and the A/E shall continue performance of all services required under this Agreement notwithstanding such withholding of monies by the Board.

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The recovery of additional costs to the Board under this paragraph shall not limit or preclude recovery for other separate and/or additional damages that the Board may otherwise incur.

The provisions of Article VII, Paragraph H, do not constitute a waiver of the Board's right to claim or recover damages in excess of the A/E's Basic Services fees through litigation or other means.

Negotiated fees may be paid to the A/E for changes in the Work, as agreed to by the Board and the A/E for each Project or Work Order, however, no fees will be paid to the A/E for changes in the Work (i.e. change orders, contingency adjustments) or other additional costs incurred by the Board for additional Work required as a result of the A/E's errors and/or omissions.

I. Invoices for payment for Basic and Additional Services shall be processed for approval or returned to the A/E within fourteen (14) days of receipt by the BOARD's representative. Payments for Basic Services shall be made within thirty (30) days after approval by the BOARD's representative designated to so approve. Payments for Additional Services shall be made within thirty (30) days after approval by BOARD of the invoice, providing that BOARD has previously approved or does simultaneously approve the delivery of the Additional Service for which the invoice is submitted.

J. The A/E shall be responsible for the payment of each contracted A/E Specialist. With each of the A/E's requests for payment after the first invoice, the A/E shall include as a part of the payment request submittal a statement that all Specialists have been paid in full for all work completed and billed to date, or if not, a complete explanation as to the reasons and amounts not paid, except the amount included in the current submittal. The BOARD may, at the BOARD's sole discretion, require the A/E to provide: a) proof that the A/E has signed agreements with all listed specialist(s), and b) all payment requests after the first, signed releases from the A/E's Specialist certifying that all payments to those Specialists have been made and are current through the date of the A/E's payment request submittal. This provision is not intended to create an expectation on the part of those Specialists that the BOARD has any obligation to them nor that the BOARD will enforce payments to them by the A/E.

The A/E shall include in each of its agreements with its Specialists a clause which states, "while there are certain conditions in the A/E AGREEMENT with the BOARD concerning verification of payment to Specialists, in signing this contract the Specialist specifically acknowledges and agrees that no contractual relationship exists between the Specialist and the BOARD and further that there is no expectation on the part of the Specialist that the BOARD is or will be responsible or involved in ensuring payment to the Specialist."

K. ACCOUNTING RECORDS

The A/E and its Consultants shall keep such full and detailed accounts as may be necessary for proper financial management under this AGREEMENT and the system shall be satisfactory to MDCPS. MDCPS or its external auditors shall be afforded access to all A/E and its Consultant's

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