REPORT NO. 2014-062
DECEMBER 2013

MARTIN COUNTY

DISTRICT SCHOOL BOARD

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENTS

Board members and the Superintendents who served during the 2012-13 fiscal year are listed below:

	District No.
Michael Busha, Vice Chair from 11-20-12	1
Sue Hershey to 11-19-12, Chair	2
Marsha Powers from 11-20-12	2
Laurie Gaylord to 11-19-12	3
Rebecca Negron from 11-20-12	3
Maura Barry-Sorenson, Vice Chair to 11-19-12, Chair from 11-20-12	4
Dr. David L. Anderson to 11-19-12	5
Michael DiTerlizzi from 11-20-12	5

Nancy Kline, Superintendent to 11-19-12
Laurie Gaylord, Superintendent from 11-20-12

The audit team leader was Mark D. Kenny, CPA, and the audit was supervised by Tim L. Tucker, CPA. 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) 412-2863.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 412-2722; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MARTIN COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

FINANCIAL CONDITION

Finding No. 1: At June 30, 2013, the District's General Fund total assigned and unassigned fund balance represented 2.45 percent of General Fund total revenues, resulting in significantly less resources available for emergencies and unforeseen situations than other school districts of comparable size.

CAPITAL OUTLAY FUNDING

Finding No. 2: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes.

PERSONNEL AND PAYROLL

Finding No. 3: The Board had not established a documented process to identify instructional personnel and school administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 4: The Board amended the agreement with its former attorney, on the day prior to the attorney's employment termination, to pay severance totaling $65,142, which is not representative of compensation earned during employment and appears to be contrary to Section 215.425(4), Florida Statutes.

FACILITIES ADMINISTRATION AND MONITORING

Finding No. 5: Controls over facilities construction and maintenance activities could be enhanced.

BACKGROUND

The Martin County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education, and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Martin County. The governing body of the District is the Martin County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the executive officer of the Board.

During the 2012-13 fiscal year, the District operated 22 elementary, middle, high, and specialized schools; sponsored one charter school; and reported 18,267 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, 2013, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Financial Condition

Finding No. 1: Fund Balance – General Fund

In governmental funds, nonspendable, restricted, and committed accounts are used to indicate the portion of fund balance that is limited for specific purposes and not available for general appropriation by the Board, while the assigned and unassigned fund balance accounts are designed to serve as a measure of net current financial resources available for general appropriation by the Board. The assigned and unassigned portions represent the amount to be used with the most flexibility for emergencies and unforeseen situations.

Section 1011.051, Florida Statutes, requires that the District maintain a General Fund ending fund balance that is sufficient to address normal contingencies. If at any time the portion of the General Fund's ending fund balance not classified as restricted, committed, or nonspendable (i.e. the total assigned and unassigned fund balances) in the District's approved operating budget as a percent of General Fund total revenue (i.e., financial condition ratio) is projected to fall below 3 percent during the fiscal year, the Superintendent must provide written notification to the Board and the Florida Department of Education (FDOE). Further, if at any time the financial condition ratio is projected to fall below 2 percent, the Board should have a reasonable plan to avoid a financial emergency, or the FDOE will appoint a financial emergency board to implement measures to assist the Board in resolving the financial emergency. Also, Section 218.503(3), Florida Statutes, provides that the FDOE may determine whether a district school board needs State assistance to resolve or prevent a financial emergency condition.

During the 2012-13 fiscal year, the District's General Fund total assigned and unassigned fund balance declined 37 percent from $5,378,663 to $3,275,343, representing a reduction of $2,103,320. District personnel indicated that this reduction occurred mainly because of certain information technology salary and benefit costs allocated to the General Fund, which were initially considered for payment from ad valorem tax levy proceeds. At June 30, 2013, the total assigned and unassigned fund balance of the General Fund represented 2.45 percent of General Fund total revenues. In these circumstances, the District has significantly less resources available for emergencies and unforeseen situations than other school districts of comparable size.

To comply with Section 1011.051, Florida Statutes, the Superintendent notified the FDOE on December 19, 2012, that the operational budget was projected to fall below the 3 percent threshold at June 30, 2013, and the Superintendent provided written notification to the Board on January 14, 2013. Also, on that date, the FDOE advised the District to prepare fiscal recovery strategies to avoid a financial emergency pursuant to Section 218.503, Florida Statutes. District personnel indicated that strategies had been developed that would be implemented over the 2013-14 and 2014-15 fiscal years to achieve an unassigned fund balance of 5 percent of General Fund total revenues by June 30, 2015. The fiscal recovery strategies include measures such as elimination of pay for two holidays, reduction of administrative positions, and elimination of the Community Education Program.

Recommendation: The District and the Superintendent should continue to closely monitor the District's budget and take the necessary actions to ensure that an adequate fund balance is maintained in the General Fund.

Capital Outlay Funding

Finding No. 2: Ad Valorem Taxation

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay purposes within specified millage rates subject to certain precedent conditions. Allowable uses of ad valorem tax levy proceeds include, among other things, funding new construction and remodeling projects; school bus purchases; enterprise resource software applications that are used to support district-wide administration subject to certain conditions and limitations; and property and casualty insurance premiums to insure educational and ancillary plants subject to certain conditions and limitations. The District accounts for the ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund.

The conditions precedent to the levy of such taxes have been narrowly construed by the courts (e.g., Wilson vs. School Board of Marion County, 424 So.2d 16 [Fla. 5th DCA 1983]), and failure to fully comply with such conditions may serve to invalidate the levies. Among the specific conditions imposed by Section 200.065(10)(a), Florida Statutes, are requirements to advertise, in advance of the adoption of a budget authorizing the expenditure of such tax levy proceeds, the purposes for which the Board intends to spend the proceeds of each such tax levy and to specify in the required notice of tax levy the projects to be funded by the assessment of such taxes. Further, Section 200.065(10)(b), Florida Statutes, establishes requirements for amending a list of capital outlay projects previously advertised and adopted.

For the 2012-13 fiscal year, the District initially reported LCI Fund expenditures and transfers to the General Fund totaling $25.6 million and $6.4 million, respectively, and we tested expenditures and transfers totaling $10 million for propriety. Our tests disclosed LCI Fund expenditures and transfers totaling $622,765 that did not appear to be for purposes authorized by Section 1011.71, Florida Statutes, as follows:

Description	Amount
Expenditures:	
Groundskeeping supplies (1)	$ 10,464
Transfers to the General Fund for:	
Information technology personnel salaries and benefits (2)	145,832
Property and casualty insurance premiums (3)	466,469
Initial Questioned Costs	622,765
Audit Adjustments to Resolve Questioned Costs (4)	(622,765)
Remaining Questioned Costs	$ 0

Notes:

(1) These costs were for groundskeeping supplies, such as chemicals, herbicides, and fertilizer, which are unallowable uses of ad valorem tax levy proceeds.

(2) These costs are for 26 percent of the salaries and benefits of 11 information technology (IT) personnel, such as systems analysts, programmers, and other IT personnel. The 11 IT personnel initially prepared personnel activity reports (PARs) that indicated they devoted 100 percent of their time to maintaining ERS applications. However, based on responses to our inquiries, the 11 IT personnel were also responsible for other routine duties, which were not initially documented on the PARs, such as programming reports for user departments, Federal tax withholding reports, processing purchasing card transactions, processing vendor payment checks, and other operational duties. District personnel prepared revised PARs that indicated the IT personnel devoted only 74 percent of their time to maintaining ERS applications, resulting in certain activities that were unallowable uses of ad valorem tax levy proceeds.

(3) These costs are for property and casualty insurance premiums paid during the 2012-13 fiscal year from ad valorem tax levy proceeds of the 2007-08 fiscal year. However, as property and casualty insurance premiums were not specified in the advertised purposes of the 2007-08 fiscal year tax levy, such payments are unallowable uses of those proceeds.

(4) District personnel agreed that the above initial questioned costs were unallowable uses of the respective tax levies. The District requested that we extend our audit procedures to determine the adjustments necessary to properly report amounts on the District's financial statements, and District personnel accepted these adjustments to resolve the questioned costs discussed in Notes (1) and (2) above. For Note (1), the $10,464 of expenditures was moved from the LCI Fund to the General Fund and, for Note (2), transfers from the LCI Fund and transfers to the General Fund were reduced by $145,832 each. To resolve the questioned costs discussed in Note (3), the District adjusted the accounting records to show the $466,469 of insurance premium as being paid from proceeds of the 2012-13 fiscal year tax levy rather than the 2007-08 fiscal year tax levy as the District specified property and casualty insurance premiums in the advertised purposes for the 2012-13 fiscal year tax levy.

Without adequate controls to ensure that ad valorem tax levy proceeds are expended only for authorized capital outlay related purposes, the risk is increased that the District will violate applicable expenditure restrictions. A similar finding was noted in our report No. 2013-046.

Recommendation: The District should enhance controls to ensure that expenditures of ad valorem tax levy proceeds are made only for authorized purposes.

Personnel and Payroll

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)4.b., Florida Statutes, provides that, for instructional personnel and school administrators, the Board must provide for 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 established a documented process to identify instructional personnel and school administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. Such a documented process could specify the prescribed factors to be used as the basis for determining differentiated pay, the process for applying the factors, and the individuals responsible for making such determinations.

On June 19, 2012, the Board adopted a policy to provide a framework for compliance with the differentiated pay law, and District personnel are in the process of writing procedures that support the new Board policy. While the salary schedule and union contracts provided for certain types of differentiated pay, without a Board-established documented process for determining which instructional personnel and school administrators are to receive differentiated pay, the District may be limited in its ability to demonstrate that the various differentiated pay factors are consistently considered and applied. Similar findings were noted in our report Nos. 2012-029 and 2013-040.

Recommendation: The Board should establish a documented process for identifying instructional personnel and school administrators entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 4: Severance Pay

Section 215.425(4)(a), Florida Statutes, provides that on or after July 1, 2011, a unit of government that enters into an employment agreement that contains a provision for severance pay with an officer, agent, employee, or contractor

must include a provision in the employment agreement that precludes severance pay from exceeding 20 weeks of compensation. Also, Section 215.425(4)(b), Florida Statutes, provides that if severance pay is not provided for in an employment agreement and the pay represents the settlement of an employment dispute, such pay may not exceed an amount greater than 6 weeks of compensation.

On November 7, 2011, the Board approved an employment agreement with a former attorney, for the period July 1, 2011, through June 29, 2012, which did not include a severance pay provision. On June 28, 2012, the Board amended the agreement to include a general release provision, requiring the Board to pay severance pay of 26 weeks of compensation based on the former attorney's salary. The former attorney terminated employment on the following day and received severance pay of $65,142 based on 26 weeks of compensation. While District records evidenced no employment dispute with the attorney, District personnel indicated that the $65,142 severance payment was authorized pursuant to Section 215.425(4)(a), Florida Statutes, because it allowed severance pay of 20 weeks of compensation, and Section 215.425(4)(b), Florida Statutes, allowed an additional 6 weeks of compensation. However, as the Board amended the employment agreement on the day prior to the attorney's employment termination, and District records evidenced no employment dispute, the payment is not representative of compensation earned during employment and appears to be contrary to Section 215.425(4), Florida Statutes.

Recommendation: The District should ensure that future severance payments comply with Section 215.425(4), Florida Statutes.

Facilities Administration and Monitoring

Finding No. 5: Facilities Management

The facilities department is responsible for managing new construction and remodeling projects. During the 2012-13 fiscal year, the facilities department employed 14 full-time employees, including construction and capital energy personnel, and the department's operating cost was $1 million. Also, during this fiscal year, the District had expenditures totaling $13.7 million for new construction and remodeling projects and, as shown on the District's Five-Year Facilities Work Plan as approved by the Board on September 17, 2013, the District planned to spend an additional $33.7 million on these projects over the next five fiscal years. At June 30, 2013, the historical cost of the District's educational and ancillary facilities was $474 million and, as shown in the FDOE's Florida Inventory of School Houses data, District facilities had an average age of 23 years.

The maintenance department is responsible for ensuring facilities are safe and suitable for their intended use. The maintenance department performed heating, ventilating, air-conditioning (HVAC), electrical, plumbing, and other maintenance-related jobs. During the 2012-13 fiscal year, this department employed 53 full-time employees and the department's operating cost was $4.3 million.

Given the significant commitment of public funds to construct and maintain educational facilities, it is important that the District establish written policies and procedures for evaluating the effectiveness and efficiency of facility operations at least annually using performance data and established benchmarks, and establish documented processes for evaluating facilities construction methods and maintenance techniques to determine the most cost-effective and efficient method or technique. In addition, performance evaluations could include established goals for facility and maintenance operations, and measurable objectives or benchmarks that are clearly defined, to document the extent to which goals and accountability for facilities and maintenance department employees are achieved. While our review

indicated that District procedures were generally adequate, we noted that the following procedural enhancements could be made:

- **Alternative Construction Methods or Maintenance Techniques.** The District primarily awards construction contracts to design professionals and construction contractors using the construction manager at risk method, although it also uses traditional design-build methods. In addition, maintenance-related jobs, such as HVAC replacement and repair, are routinely performed by maintenance department personnel based on safety and suitability priorities, although some jobs are outsourced to contractors. District personnel indicated that they had not established written policies and procedures for evaluating the various construction methods or maintenance-related job techniques and, while they consider alternative methods and techniques, they have not documented evaluations of the various approaches to determine, for each major construction project or significant maintenance-related job, which would be most cost-effective and beneficial. Without Board-approved policies and procedures, and documented evaluations, there is an increased risk that the District may not use the most cost-effective and beneficial construction method or maintenance technique.

- **Accountability.** The District's facilities and maintenance departments have established short-term and long-term goals; however, these goals did not fully address accountability for these departments. For example, the goals for the facilities department included standardized classroom design, improving indoor air quality, conservation, cost containment, and improving energy conservation measures. Examples of maintenance department goals included formalizing preventative maintenance tasks and improving work order response time. However, the goals of these departments did not sufficiently identify cost-effectiveness or efficiency outcomes.

  To adequately establish outcome measures, the departments could set goals such as completing construction or maintenance projects that meet or exceed building code industry standards at the lowest possible cost. Progress in attaining the goals could be measured by developing accountability systems to monitor work orders for return assignments or corrective action because an aspect of a project did not initially meet building code requirements, and to compare project costs to industry standards for similar work. Additional goals could include setting benchmark time frames for routine projects or jobs and progress toward meeting the goal could be measured by comparing project or job completion times to industry standards for similar work. Establishing goals that focus on accountability and measurable objectives and benchmarks could assist the District in determining whether its facilities and maintenance departments are operating as cost-effectively and efficiently as possible.

A similar finding was noted in our report No. 2013-040.

Recommendation: The District should develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. Also, the District should develop additional goals and objectives for the facilities and maintenance departments to identify cost-effectiveness or efficiency outcomes for department personnel.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2013-040. The following table provides information on District recurring audit findings:

	Financial		Operational	
Current Fiscal Year Finding Numbers	**2011-12 Fiscal Year Audit Report and Finding Numbers**	**2010-11 Fiscal Year Audit Report and Finding Numbers**	**2011-12 Fiscal Year Audit Report and Finding Numbers**	**2010-11 Fiscal Year Audit Report and Finding Numbers**
2	Auditor General Audit Report No. 2013-046, Finding No. 2	NA	NA	NA
3	NA	NA	Auditor General Audit Report No. 2013-040, Finding No. 1	Auditor General Audit Report No. 2012-029, Finding No. 2
5	NA	NA	Auditor General Audit Report No. 2013-040, Finding No. 2	NA

NA – Not Applicable. (Note: Above chart limits recurring findings to two previous audit reports.)

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from April 2013 to September 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.

- Determine whether management had taken corrective actions for findings included in our report Nos. 2013-040 and 2013-046.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, deficiencies in management's internal controls, instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of records and transactions occurring during the 2012-13 fiscal year. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

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
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2013, to the fund's revenues was less than the percents specified in Section 1011.051, Florida Statutes. Analytical procedures were also applied to determine the reasonableness and ability of the District to make its future debt service payments.
Earmarked capital project resources.	Determined, on a test basis, whether nonvoted capital outlay tax levy proceeds and Public Education Capital Outlay funds were expended in compliance with the restrictions imposed on the use of thee resources.
Restrictions on use of Workforce Development funds.	Tested expenditures charged to Workforce Development 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).
Adult general education program enrollment reporting.	Examined supporting documentation on a test basis to determine whether the District reported instructional contact hours in accordance with Florida Department of Education requirements.
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Bank account reconciliations.	Reviewed bank account reconciliations and other supporting documentation to determine whether the District timely performed the reconciliations.
Authorized signatures on banking agreements.	Reviewed authorized signatures for all banking agreements for timely changes in response to personnel changes.
Qualified public depositories.	Determined whether deposits of District moneys were secured in a qualified public depository, unless exempted by law, as required by Section 280.03, Florida Statutes.
Severance pay.	Reviewed severance pay provisions in selected contracts to determine whether the District was in compliance with Florida Statutes.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
Purchasing card transactions	Tested transactions to determine whether purchasing cards were administered in accordance with District policies and procedures. Also, tested former employees to determine whether purchasing cards were timely canceled upon termination of employment.
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Identifying and prioritizing facility maintenance needs, including identification and timely resolution of health and safety deficiencies, and tracking maintenance jobs.	Evaluated procedures for identifying facility maintenance needs and establishing resources to address those needs. Compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements and timely resolution of deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.
Evaluating maintenance department staffing needs.	Reviewed procedures for evaluating maintenance department staffing needs. Determined whether such procedures included consideration of appropriate factors and performance measures that were supported by factual information.
Consultant contracts.	Tested selected consultant contracts to determine compliance with competitive selection requirements, whether the District contracted with its employees for services provided beyond that provided in the salary contract contrary to Section 112.313, Florida Statutes, and whether the contract clearly specified deliverables, time frames, documentation requirements, and compensation. Also tested selected payments for proper support and compliance with contract terms.

EXHIBIT B
MANAGEMENT'S RESPONSE

THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

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November 19, 2013

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

Dear Mr. Martin:

The purpose of this letter is to respond to the preliminary and tentative audit findings for the School Board of Martin County as a result of the audit for the fiscal year ending June 30, 2013. The following are the response as submitted by the appropriate staff.

Finding No. 1: Fund Balance – General Fund

The District concurs with the auditor's position that it should continue to closely monitor the District's budget and to take the necessary actions to ensure an adequate fund balance is maintained in the General Fund. As indicated in its narrative, the fiscal recovery strategies included measures such as two furlough days for all employees, reduction of administrative positions, and elimination of the Community Education Program. District staff continues to monitor the collection of revenues and expenditures as it progresses through the financial year.

Finding No. 2: Ad Valorem Taxation

The District concurs with the auditor's position that it should enhance controls to ensure expenditures of ad valorem tax levy are made only for authorized purposes. As noted in the narrative, the District has addressed and corrected all questionable costs. District staff continues to provide methods to guarantee the accuracy of the use of the ad valorem tax levy for allowable purposes.

Finding No. 3: Compensation and Salary Schedules

The District concurs with the auditor's position that it should establish a documented process for identifying instructional personnel and school administrators entitled to receive differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes. The District currently has an evaluation system that will be associated to all significant salary adjustments by the end of the 2014-2015 fiscal year. A portion of an instructional employee's compensation will be based upon performance demonstrated under Section 1012.34, Florida Statutes. District staff will develop a formal policy and procedures for Board approval.

Laurie J. Gaylord, Superintendent
School Board Members: Maura Barry-Sorenson • Michael Busha • Michael DiTerlizzi • Rebecca Negron • Marsha Powers
"An Equal Opportunity Agency"

EXHIBIT B (Continued)
MANAGEMENT'S RESPONSE

Finding No. 4: Severance Pay

The District concurs with the auditor's position that it should ensure that future severance payments comply with Section 215.425(4), Florida Statutes. The severance pay noted in the auditor's finding was approved by the Board based on legal counsel's recommendation.

Finding No. 5: Facilities Management

The District concurs with the auditor's position on Facilities Management. The District, before a new project is started, the cost, availability, and life cycle of new material and construction methods are evaluated before making any decision. Principals and staff are requested to evaluate and recommend changes in design and/or materials. Maintenance staff evaluates and recommends new product technologies and equipment that are more efficient. District staff will work on developing written policies and procedures in order to evaluate methods used. Goals are established every year by all departments; the District will work on developing additional goals and objectives for the facilities and maintenance department to identify cost-effectiveness or efficiencies for the department's personnel.

In closing, I would like to thank the staff from your office for their professionalism and cooperation in the conduct of the aforementioned audit. Please feel free to contact my office if you have any questions concerning this matter.

Sincerely,

Laurie J. Gaylord

Laurie J. Gaylord
Superintendent

CC: School Board Members
Superintendent's Cabinet