REPORT NO. 2015-088
JANUARY 2015

LEON 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 2013-14 fiscal year are listed below:

	District No.
Forrest Van Camp, Chair from 11-19-13	1
Dee Crumpler	2
Maggie B. Lewis-Butler, Vice Chair	3
Dee Dee Rasmussen	4
Georgia "Joy" Bowen, Chair to 11-18-13	5

Jackie Pons, Superintendent

The audit team leader was Lauren J. Wagner and the audit was supervised by Karen L. Revell, CPA. For the information technology portion of this audit, the audit team leader was Blake Bell and the supervisor was Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to Douglas R. Conner, CPA, Audit Manager, by e-mail at dougconner@aud.state.fl.us or by telephone at (850) 412-2730.

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LEON COUNTY

District School Board

EXECUTIVE SUMMARY

Our operational audit disclosed the following:

ADMINISTRATIVE MANAGEMENT AND BOARD POLICIES

Finding No. 1: The Board could enhance its anti-fraud policy.

Finding No. 2: The District did not timely and prominently post all required budget information on its Web site.

Finding No. 3: Controls over electronic funds transfers could be enhanced.

CONSTRUCTION ADMINISTRATION

Finding No. 4: The District did not always competitively select construction management entities (CMEs) in accordance with Section 287.055, Florida Statutes.

Finding No. 5: Controls over negotiating and monitoring CME general conditions costs could be enhanced.

Finding No. 6: The District could enhance its construction administration procedures regarding selection of subcontractors.

Finding No. 7: The District could enhance its procedures to monitor verification of subcontractors' licensure status.

Finding No. 8: CME payment requests were not always reconciled to subcontractors' invoices, bids, and contracts prior to payment.

Finding No. 9: The District entered into professional architectural services contracts without following the competitive selection process prescribed in Section 287.055, Florida Statutes.

Finding No. 10: The Board had not adopted a policy prescribing the minimum insurance coverage requirements for work performed by architects and engineers.

Finding No. 11: Controls over facilities construction and maintenance activities could be enhanced.

PERSONNEL AND PAYROLL

Finding No. 12: District records did not evidence that the Board was made aware that certain employees had not met the minimum education requirements for positions to which they were promoted.

Finding No. 13: The Board had not established a documented process to identify instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4.b., Florida Statutes.

Finding No. 14: The District needed to enhance its procedures to ensure the proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.

Finding No. 15: Controls over monitoring school bus drivers could be enhanced.

Finding No. 16: The District needed to enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

PROCUREMENT

Finding No. 17: Procurement procedures could be enhanced to provide for routine review of required statements of financial interests for consideration in making procurement decisions.

Finding No. 18: Controls over contractual services and related payments could be enhanced.

RESTRICTED RESOURCES

Finding No. 19: District records did not always evidence that ad valorem tax levy proceeds were used only for authorized purposes.

Finding No. 20: The District did not allocate purchasing card program rebates generated by restricted resources to appropriate District funds.

CAPITAL ASSETS

Finding No. 21: The District could strengthen its controls over tangible personal property.

Finding No. 22: Controls over the use of Board-owned motor vehicles could be enhanced.

VIRTUAL INSTRUCTION PROGRAM

Finding No. 23: Controls over virtual instruction program (VIP) operations and related activities could be enhanced by developing and maintaining comprehensive, written VIP policies and procedures.

Finding No. 24: VIP provider contracts did not include certain necessary provisions.

Finding No. 25: District records did not evidence that timely, written notifications were provided to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding No. 26: District records did not evidence that all VIP providers' employees and contracted personnel were subjected to required background screenings.

INFORMATION TECHNOLOGY

Finding No. 27: Some inappropriate information technology (IT) access privileges existed.

Finding No. 28: District IT security controls related to user authentication and logging and monitoring of system activity needed improvement.

BACKGROUND

The Leon 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 Leon County. The governing body of the District is the Leon 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 2013-14 fiscal year, the District operated 45 elementary, middle, high, and specialized schools; sponsored 6 charter schools; and reported 33,334 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, 2014, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Administrative Management and Board Policies

Finding No. 1: Anti-Fraud Policy

Board Policy 8700, *Anti-Fraud*, provides for individuals to communicate and report known or suspected fraud to the Superintendent or, if the observed or suspected fraud involves a Board member or the Superintendent, to the Board Attorney. The policy also defines and provides examples of actions constituting fraud and designates the

responsibility for investigating potential fraudulent matters. However, the policy could be enhanced by identifying consequences of fraudulent behavior and including incident-reporting procedures that allow individuals to anonymously report policy violations and known or suspected fraud. Identifying the consequences of fraudulent behavior may serve as a deterrent to persons committing fraud and serves as a guide in taking appropriate actions should fraud occur. Allowing individuals to anonymously report policy violations and known or suspected fraud may help identify such violations and provide for appropriate investigation and resolution.

Effective fraud policies and procedures are necessary to educate employees about proper conduct, create an environment that deters dishonesty, and maintain internal controls that provide reasonable assurance of achieving management objectives and detecting dishonest acts. In addition, such policies and procedures serve to establish the responsibilities for investigating potential incidents of fraud and taking appropriate action, reporting evidence of such action to the appropriate authorities, and protecting the reputation of persons suspected but not guilty of fraud.

Recommendation: The Board should enhance its fraud policies to identify the consequences of fraudulent behavior and allow individuals to anonymously report policy violations and known or suspected fraud.

Finding No. 2: Budget Transparency

It is important that the District provide easy access to its budget and related information as this promotes responsible spending, more citizen involvement, and improved accountability. Pursuant to Section 1011.035(2), Florida Statutes, the District must prominently post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable and readily accessible to the public.

At the time of our review in March 2014, the link on the District's Web site to the Board-adopted proposed, tentative, and official budgets was outdated as it directed the public to the 2012-13 fiscal year budgets, instead of the 2013-14 fiscal year budgets. While the District disclosed Board actions, such as the Board-adopted 2013-14 fiscal year proposed, tentative, and official budgets, in the Board minutes included on the District's Web site, the budget information was not prominently posted or readily accessible to the public on the Web site, given the volume of information contained in the Board minutes. Providing for the required budgetary transparency enhances citizen involvement and the ability to analyze the budget, monitor its implementation, and evaluate its outcomes.

Recommendation: The District should ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Finding No. 3: Electronic Funds Transfers

Section 1010.11, Florida Statutes, requires each school board to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. This law also requires that electronic transactions comply with the provisions of Chapter 668, Florida Statutes, which discusses the use of electronic signatures in electronic transactions between school boards and other entities. In addition, State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC), authorizes the District to make electronic funds transfers (EFTs) provided adequate internal control measures are established and maintained, such as a written agreement with a financial institution that contains the titles of bank accounts subject to the agreement and the manual signatures of each person authorized to initiate EFTs.

During the 2013-14 fiscal year, the District regularly used EFTs to transfer funds between its bank accounts and to make electronic disbursements for direct deposits of employee pay and other payroll related activities, such as taxes withheld and matching contributions, and Florida Retirement System contributions. According to District records, cash and cash equivalents and investments totaling $77 million were available for electronic transfer at June 30, 2014. The District used processes, including the use of bank-assigned personal identification numbers, written authorizations, and supervisory review of EFT transactions through e-mail notifications from the bank to control and monitor EFTs.

In September 2012, the Board approved a policy requiring that written EFT agreements be used to establish the internal controls required by State law and SBE rules; however, because of District oversights, the written EFT agreement did not prescribe the accounting and control procedures for EFTs, including the use of electronic signatures. While our tests did not disclose any EFTs for unauthorized purposes, the lack of specific guidance in the form of Board policies or written agreements prescribing the accounting and control procedures for EFTs, including the use of electronic signatures, increases the risk that electronic transactions will not be executed in accordance with Board directives and Chapter 668, Florida Statutes.

Recommendation: The Board should revise its EFT policy to prescribe the accounting and control procedures for EFTs, including the use of electronic signatures.

Construction Administration

Pursuant to Section 1013.45(1)(c), Florida Statutes, the District may contract for the construction or renovation of facilities with a construction management entity (CME). Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for all scheduling and coordination in construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. As such, a GMP contract requires District personnel to closely monitor subcontractor bid awards and other construction costs.

During the period July 1, 2011, through June 30, 2014, the Board entered into 45 project contracts with CMEs totaling $57.9 million, all of which were GMP contracts. We reviewed 23 of the 45 project contracts, as shown in Table 1, with CME payments totaling $41.3 million.

Table 1

	Project Location	Project Description	Contract Date	CME Payments (A)	Direct Materials Purchases (B)	Total Construction Cost as of June 30, 2014 (A) + (B)
1	Astoria Park Elementary School	HVAC Systems Replacement- Bldg. 1	07/12/2011	$1,992,711	$361,641	$2,354,352
2	Astoria Park Elementary School	HVAC Renovations - Bldgs. 2 & 3	09/10/2012	926,286	74,666	1,000,952
3	Ft. Braden School	HVAC Upgrades- Bldgs. 2, 3 & 4	11/22/2011	1,304,460	420,884	1,725,344
4	Ft. Braden School	Classroom Renovations- Bldg. 1	07/12/2011	1,547,338	199,364	1,746,702
5	Gilchrist Elementary School	Classroom Addition, Sitework & Chiller Replacement	06/12/2012	1,784,271	308,862	2,093,133
6	Gilchrist Elementary School	New Classroom Addition	06/12/2012	1,659,979	322,562	1,982,541
7	Gretchen Everhart School	New Classroom Addition	07/26/2011	1,999,107	53,629	2,052,736
8	Kate Sullivan Elementary School	Classroom Addition Interior Miscellaneous MEP Services	05/08/2012	1,546,906	452,564	1,999,470
9	Kate Sullivan Elementary School	New Building Addition	05/08/2012	1,735,522	261,810	1,997,332
10	Kate Sullivan Elementary School	Addition Site Improvements and Underground Utilities	05/08/2012	1,484,793	781,625	2,266,418
11	Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	1,650,470	349,335	1,999,805
12	Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	1,571,362	742,768	2,314,130
13	Oak Ridge Elementary School	Remodeling, Renovations. & HVAC Upgrades	07/12/2011	1,943,048	167,456	2,110,504
14	Oak Ridge Elementary School (1)	Additions and Renovations	10/08/2013	1,130,400	71,492	1,201,892
15	Rickards High School	HVAC Renovations- Bldgs. 18, 19, 20, & 21	01/08/2013	1,604,160	186,308	1,790,468
16	Rickards High School	HVAC (Boiler/ Chiller) Upgrade	02/14/2012	1,999,999	1,070	2,001,069
17	Rickards High School	ADA Upgrades and HVAC Replacement & Additions to Bldgs. 9 & 10	07/12/2011	1,799,931	890,667	2,690,598
18	Sabal Palm Elementary School	HVAC Upgrades and Renovation	07/12/2011	1,568,432	149,950	1,718,382
19	Sabal Palm Elementary School (1)	Renovations- Bldgs. 1, 2, & 4	03/25/2014	987,985	45,091	1,033,076
20	Transportation (1)	Bus Maintenance Bldg. Foundation, Site Work & Lift Equipment	11/17/2009	6,418,091	1,017,021	7,435,112
21	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 1	06/14/2011	1,407,412	52,400	1,459,812
22	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 2	10/25/2011	1,947,776	37,843	1,985,619
23	WT Moore Elementary School (1)	New Administration Building	06/03/2014	1,322,172	45,860	1,368,032
	Totals			$41,332,611	$6,994,868	$48,327,479

Note: (1) Projects in progress at June 30, 2014.

Our review disclosed deficiencies in the District's construction contract administration procedures as discussed in Finding Nos. 4 through 11, and these deficiencies may have resulted in excess costs as discussed in Finding No. 5.

Finding No. 4: Selection of Construction Management Entity

Section 1013.45(1)(c), Florida Statutes requires the District to select a CME pursuant to Sections 287.055 or 255.103, Florida Statutes. Section 287.055(3), Florida Statutes, requires that the District publicly announce, in a uniform and consistent manner, each occasion when professional services must be purchased for a project in which the basic construction cost is estimated to exceed $325,000. The public notice must include a general description of the project and must indicate how interested consultants may apply for consideration. Sections 287.055(4) and (5), Florida Statutes, require the District to select in order of preference no fewer than three firms deemed to be the most highly qualified to perform the required services for each proposed project. Should the District be unable to negotiate a satisfactory contract with the firm considered to be the most qualified at a price the District determines to be fair, competitive, and reasonable, negotiations with that firm must be formally terminated, and the District must then undertake negotiations with the remaining selected CMEs, in the order they were ranked, until a satisfactory contract is negotiated. Pursuant to Section 255.103(4), Florida Statutes, the District may enter into a continuing contract for a defined period with a CME using the process provided in Section 287.055, Florida Statutes, for construction projects for which the estimated construction cost of each individual project under contract does not exceed $2 million.

In September 2009, the District solicited a request for qualifications (RFQ) for a construction manager at risk for projects under $2 million, and the Board approved the list of 30 CMEs that responded to the RFQ. District personnel indicated that CMEs were generally assigned to projects based on the CMEs qualifications, availability, bonding capacity, and ability to complete the work on time, as well as consideration of funding deadlines and the opening of schools; however, although requested, District records were not provided to evidence the selection process.

In December 2013 and January 2014, the District solicited RFQs for construction manager at risk for projects under $2 million. In February 2014, District personnel ranked the 32 CMEs that responded to the RFQs according to specific criteria such as ability of CME professional personnel; whether the CME maintained certified minority business enterprise status; past performance; willingness to meet time and budget requirements; location of firm; current and projected workloads; and the volume of work previously awarded to the CME. The Board approved the list of the top 22 ranked CMEs for consideration on future construction projects.

Our review of CME contracts entered into from July 1, 2011 through June 30, 2014, disclosed that the District's process for selecting CMEs generally did not appear to be consistent with the requirements of law, as follows:

- The Board did not, for any of the CMEs included on the above-noted Board-approved lists, opt to enter into a continuing contract pursuant to Section 255.103(4), Florida Statutes. As such, it is not apparent why District personnel assigned CMEs to projects based on a $2 million threshold since that threshold would only be relevant had the Board opted to enter into continuing contracts pursuant to Section 255.103(4), Florida Statutes.
- For projects shown on Table 1 for Gilchrist Elementary School (project Nos. 5 and 6), Kate Sullivan Elementary School (project Nos. 8, 9, and 10), and Killearn Lakes Elementary School (project Nos. 11 and 12), based on the project descriptions or contract dates, the District divided these projects into multiple smaller projects to keep estimated construction costs (excluding costs shown in column B) below the $2 million threshold of Section 255.103(4), Florida Statutes, and assigned these smaller projects to CMEs from the Board approved list as if they were working under a continuing contract. In these circumstances, even if continuing contracts had been entered into, the District chose not to follow the competitive selection process provided in law, choosing rather to assign the divided smaller projects to CMEs based on its discretion.
- Although the District competitively selected CMEs for project Nos. 19 and 20, the District did not use the competitive selection process specified by Section 287.055, Florida Statutes, to select CMEs for the remaining 21 projects shown on Table 1, as follows:
  - For 8 projects (Nos. 1, 5, 7, 10, 12, 13, 16, and 17) shown on Table 1, when the CME costs are combined with other project-related costs, such as direct materials purchases, total project construction costs exceeded the $2 million continuing contract cost threshold of Section 255.103(4), Florida Statutes. As such, the Board did not have an option to use a continuing contract for these projects. Instead, the CMEs should have been, but were not, selected using the process specified by Section 287.055, Florida Statutes.
  - For 13 projects (Nos. 2, 3, 4, 6, 8, 9, 11, 14, 15, 18, 21, 22, and 23), total project construction costs did not exceed the $2 million continuing contract cost threshold but did exceed the $325,000 basic construction cost threshold of Section 287.055, Florida Statutes. As such, since the Board opted not to enter into continuing contracts with the CMEs, the CMEs should have been, but were not, selected using the process specified by Section 287.055, Florida Statutes, for these projects.

The Legislature has recognized in Section 287.001, Florida Statutes, that fair and open competition is a basic tenet of public procurement and that such competition reduces the appearance and opportunity for favoritism and inspires public confidence that contracts are awarded equitably and economically. By not selecting CMEs for these 21 projects using the competitive selection process specified by Section 287.055, Florida Statutes, District records did not

evidence that the most highly qualified firm was selected for these projects and the benefits of the competitive selection process for CMEs required by law appear to have been thwarted. Without following the required selection process, the District had limited assurance that the CMEs were selected in a fair, equitable, and economical manner. A similar finding was noted in our report No. 2012-136 and in the District's 2012-13 fiscal year financial audit report.

Recommendation: The District should ensure that CMEs are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Finding No. 5: General Conditions Costs

The contracts with the CMEs used for the 23 projects we reviewed as shown in Table 1 included a provision for general conditions costs. General conditions costs for the 23 projects totaled $11.3 million as shown in Table 2 below. General conditions costs included such items as direct and indirect salary costs, permitting costs, bonds, and insurance.

Table 2

	Project Location	Project Description	Contract Date	General Conditions Costs
1	Astoria Park Elementary School	HVAC Systems Replacement- Bldg. 1	07/12/2011	$542,001
2	Astoria Park Elementary School	HVAC Renovations - Bldgs. 2 & 3	09/10/2012	309,651
3	Ft. Braden School	HVAC Upgrades- Bldgs. 2, 3 & 4	11/22/2011	460,656
4	Ft. Braden School	Classroom Renovations - Bldg. 1	07/12/2011	334,434
5	Gilchrist Elementary School	Classroom Addition, Sitework & Chiller Replacement	06/12/2012	697,834
6	Gilchrist Elementary School	New Classroom Addition	06/12/2012	699,165
7	Gretchen Everhart School	New Classroom Addition	07/26/2011	389,146
8	Kate Sullivan Elementary School	Classroom Addition Interior Miscellaneous MEP Services	05/08/2012	255,519
9	Kate Sullivan Elementary School	New Building Addition	05/08/2012	784,536
10	Kate Sullivan Elementary School	Addition Site Improvements and Underground Utilities	05/08/2012	259,701
11	Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	615,156
12	Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	295,719
13	Oak Ridge Elementary School	Remodeling, Renovations. & HVAC Upgrades	07/12/2011	521,149
14	Oak Ridge Elementary School	Additions and Renovations	10/08/2013	254,926
15	Rickards High School	HVAC Renovations- Bldgs. 18, 19, 20, & 21	01/08/2013	433,518
16	Rickards High School	HVAC (Boiler/ Chiller) Upgrade	02/14/2012	470,662
17	Rickards High School	ADA Upgrades and HVAC Replacement & Additions to Bldgs. 9 & 10	07/12/2011	479,909
18	Sabal Palm Elementary School	HVAC Upgrades and Renovation	07/12/2011	304,358
19	Sabal Palm Elementary School	Renovations- Bldgs. 1, 2, & 4	03/25/2014	203,624
20	Transportation	Bus Maintenance Bldg. Foundation, Site Work & Lift Equipment	11/17/2009	1,556,650
21	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 1	06/14/2011	435,435
22	WT Moore Elementary School	Addition, Remodeling and Renovations- Phase 2	10/25/2011	683,999
23	WT Moore Elementary School	New Administration Building	06/03/2014	326,015
	Total			$11,313,763

Effectively negotiating and documenting the reasonableness of general conditions costs is essential to ensuring that potential cost savings are realized under GMP contracts. Our review of general conditions costs disclosed the following:

- The District had not established written policies and procedures addressing the methodology to be applied and factors to be considered during the negotiation process for general conditions costs. Such procedures should include comparing costs to general conditions for similar projects or projects of other school districts, and negotiating a reasonable amount for a total budgeted amount for all general conditions costs. Although requested, we were not provided documentation of the methodology applied and factors considered during the negotiation process for general conditions costs. Absent such documentation, District records did not evidence the District's determination that the general conditions costs were reasonable and appropriate.

- The CMEs billed the District for general conditions based on a percentage of completion as projects progressed; however, the District did not obtain detailed documentation such as payroll records or invoices paid by the CME for general conditions costs to support amounts billed to, and paid by, the District. Absent adequate monitoring of charges to general conditions costs, the District may be limited in its ability to determine the propriety of the payment requests or to recover all cost savings associated with the project, should they occur.

- For projects listed in Table 1 that were additions to buildings (i.e., extended the floor space), as shown in Table 3, construction costs per gross square footage exceeded the State average, which could be related to additional general condition costs associated with assigning more than one CME to a project as discussed in Finding No. 4. For example, the general conditions costs for the two split projects for Gilchrist Elementary School totaled approximately $1.4 million or 34 percent of the total cost of these two projects. District personnel indicated, in letters to the Florida Department of Education (FDOE), various reasons that costs per student station were higher on these projects, including increased labor costs; upgrading existing chillers and boilers with more energy efficient systems; and the District's desire to provide the latest classroom technology into all new construction, renovation, and remodeling projects. However, although requested, District personnel did not provide documentation supporting these explanations.

Table 3

Project Location	Project Description	Contract Date	Total Construction Cost	Total Gross Square Footage (1)	Project Construction Cost per Gross Square Footage	State Average Construction Cost per Gross Square Footage (2)	Construction Cost per Gross Square Footage in excess of State Average
Gilchrist Elementary School	Classroom Addition, Sitework & Chiller Replacement	06/12/2012	$2,093,133	15,315	$266.12	$153.33	$112.79
Gilchrist Elementary School	New Classroom Addition	06/12/2012	1,982,541				
Kate Sullivan Elementary School	Classroom Addition Interior Miscellaneous MEP Services	05/08/2012	1,999,470	22,617	276.93	153.33	123.60
Kate Sullivan Elementary School	New Building Addition	05/08/2012	1,997,332				
Kate Sullivan Elementary School	Addition Site Improvements and Underground Utilities	05/08/2012	2,266,418				
Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	1,999,805	18,638	231.46	153.33	78.13
Killearn Lakes Elementary School	New Construction, Additions & Renovations	06/12/2012	2,314,130				

Notes: (1) Total project square footage (gross) identified on the certificate of final inspection upon completion in the 2013 calendar year.
(2) State project average cost per square footage (gross) listed on the 2013 calendar year FDOE Public Report of Cost of Construction.

Recommendation: The District should establish written policies and procedures addressing negotiation and monitoring of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general condition costs, and the submittal and review of sufficiently detailed documentation supporting CME payment requests for payment of general conditions costs.

Finding No. 6: Subcontractor Selection

The GMP contracts required the CMEs to solicit bids and award subcontracts, as necessary. District personnel indicated that for the 23 projects shown in Table 1, prior to payment to the CMEs, the District project coordinators inspected the job sites with the architects of record and CME representatives to determine the status of the projects. Our review of 43 subcontracts related to the CME projects we reviewed disclosed that, while District project coordinators attended the subcontractor bid openings as evidenced by their signature on the bid tabulation sheets, the District did not initially obtain and review subcontractor bids and contracts for any of the 43 subcontracts.

In response to our inquiry, District personnel obtained from the CMEs, and provided for our review, the subcontractor bids for 32 of the 43 subcontractors and contracts for 39 of the 43 subcontractors. For 2 of the subcontractors for which bid and contract documentation was not provided, District personnel indicated that the CME records were destroyed by rain when a portion of the CME's warehouse roof was removed by a tornado during a storm. No explanation was provided for the remaining 9 subcontractors for which bids were not provided and the remaining 2 subcontractors for which contracts were not provided.

Our review of 30 subcontract awards, for which both the bids and contracts were provided, disclosed no instances in which subcontractors were improperly selected. However, without District procedures to appropriately monitor the subcontractors bid awards, the risk increases that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and realize maximum cost savings under GMP contracts.

Recommendation: The District should enhance its monitoring procedures to ensure that subcontractors are competitively selected.

Finding No. 7: Verification of Subcontractor Licensure Status

Chapter 489, Florida Statutes, establishes certain certification requirements for persons engaged in construction contracting, including licensing requirements for specialty contractors such as electrical, air conditioning, plumbing, and roofing contractors. District personnel indicated that they did not verify that subcontractors were licensed but relied on the CMEs to verify this information. In response to our inquiry, District personnel requested subcontractor licenses from the CMEs for 43 subcontractors used on the 23 projects reviewed; however, the CMEs provided licenses for only 23 subcontractors. Of the 20 subcontractors for which a license was not provided, District personnel indicated 2 subcontractor licenses were unavailable because of the destruction of records noted in Finding No. 6; the CME did not request licenses from the subcontractors for 2 subcontractors; subcontractor proposal documents were provided for 2 subcontractors that contained subcontractor license numbers, but did not evidence the CME's verification that the license was valid prior to commencement of work; and no explanation was provided for the remaining 14 subcontractors.

Without the additional assurance provided by the District's verification of subcontractor licenses, there is an increased risk that subcontractors working on District facilities do not meet the qualifications to perform the work for which they are engaged.

Recommendation: The District should enhance its procedures to monitor verification of subcontractors' licensure status prior to commencement of work on projects.

Finding No. 8: Monitoring Payment Requests

District personnel indicated that upon receipt of payment requests from CMEs, District personnel compared line items on the schedule of values to documentation provided, verified mathematical accuracy of the request, and verified prior payments were properly accumulated on payment requests. However, District records did not evidence a comparison of amounts requested for payment on corresponding cost lines on the schedule of values in the corresponding CME contracts to subcontractors' invoices, bids, and contracts.

We selected one CME payment each for five projects (project Nos. 1, 2, 4, 7, and 14 shown in Table 1) and requested that the District provide documentation (e.g., subcontractor invoices, contracts, bids) supporting selected line items on the schedule of values for these payment requests related to subcontractor payments. Although we were provided such documentation for some line items, we were not provided documentation to support line items for two projects, as follows:

- For project No. 1, District personnel were unable to provide for our review supporting documentation for 17 line items totaling $875,030. District personnel indicated that supporting documentation could not be provided by the CME because of the destruction of records as noted in Finding No. 6.
- For project No. 7, District personnel were unable to provide for our review supporting documentation for 18 line items totaling $371,716. District personnel stated that no supporting documentation was provided by the CME for any of the payment requests for project No. 7, which totaled $1,577,372 including the $371,716 for which we had requested support.

Absent a documented reconciliation of each line in the schedule of values for each payment request to supporting documentation, there is an increased risk that the District may overpay for subcontractor services or may not realize maximum cost savings under GMP contracts.

Recommendation: The District should enhance procedures for monitoring payment requests to require a documented comparison of cost items per CME payment requests to supporting documentation, such as subcontractor invoices, bids, and contracts, before CME payments are made. The District should also request that the CME for project No. 7 provide documentation supporting the $1,577,372 of payment requests.

Finding No. 9: Selection of Architects

Section 287.055(3), Florida Statutes, prescribes the competitive selection process to be followed for each occasion when professional services, including architectural services, must be purchased for a project in which the basic construction cost is estimated to exceed $325,000. Pursuant to Section 287.055(2)(g), Florida Statutes, the District may enter into a continuing contract for professional services in which the estimated construction cost of each individual project under contract does not exceed $2 million.

In calendar year 2008, the District solicited a request for qualifications (RFQ) for professional architectural consulting services for projects costing under $1 million[1]. The Board approved a list of 15 architectural firms that responded to the RFQ, and entered into continuing contracts with those firms. In calendar year 2010, the District again solicited a RFQ for professional architectural consulting services for projects costing under $2 million. The Board approved and amended continuing contracts with the previously-approved 15 architectural firms and entered into continuing contracts with an additional 8 architectural firms, or a total of 23 architectural firms.

[1] Prior to July 1, 2009, the continuing contract threshold was $1 million.

From July 1, 2011, through June 30, 2014, the Board assigned architects from the Board-approved lists to be the architects for various construction projects. These included the following five projects shown in Table 4 for which total construction costs exceeded $2 million and, therefore, required competitive selection of the architect using the process prescribed by Section 287.055, Florida Statutes.

Table 4

Project Locations	Total Construction Cost as of June 30, 2014
Astoria Park Elementary School	$2,354,352
Gretchen Everhart School	2,052,736
Oak Ridge Elementary School	2,110,504
Rickards High School	2,001,069
Rickards High School	2,690,598

The District entered into continuing contracts with the architects for these projects without following the prescribed competitive selection process. Although the CME contract amounts did not exceed $2 million, combining the CME contract amounts with other project-related costs, such as direct materials purchases, resulted in total project costs exceeding the $2 million cost threshold for the five projects shown in Table 4. Because the District did not follow the prescribed competitive selection process in Section 287.055, Florida Statutes, in selecting architects for these five projects, District records did not evidence that the most highly qualified firm was selected for these projects. Further, by establishing a list of 23 architectural firms instead of ranking and selecting firms using the competitive selection procedures prescribed in Section 287.055, Florida Statutes, for each continuing contract, the benefits of the competitive selection process prescribed by law were thwarted.

Recommendation: The District should ensure that architects are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Finding No. 10: Design Professionals - Liability Insurance

The Board entered into continuing contracts for professional services, such as architect and engineering services, for its construction projects. These contracts required the architect and engineering firms to obtain no more than $1 million or the design professional's fee, whichever is greater, in professional liability insurance to protect the District against occurrences that included, but were not limited to, the firm's negligence, professional errors or omissions, strict liability or breach of contract. However, the Board had not adopted a policy establishing insurance requirements for design professionals, such as architects and engineers. Also, as the total construction costs of the 23 projects at June 30, 2014, in Table 1, ranged from $1 million for project No. 2 to $7.4 million for project No. 20, or an average of $2.1 million for the 23 projects, District records did not evidence the basis for providing for the same $1 million professional insurance limitation amount for each of the projects.

Without a Board policy addressing the amount of professional liability insurance coverage to be required for architect and engineering firms, it was not apparent how District personnel determined the professional insurance amount that should be provided by the firms to protect the District's investment in these construction projects. Developing a policy prescribing the types and amounts of insurance coverage for architect and engineering firms would help provide guidance to District personnel as to the Board's insurance philosophy and protect the District in the event

that deficiencies in work performed by a design professional causes injury to persons or damage to property, or the design professional defaults on its contractual obligations.

Recommendation: The Board should adopt a policy establishing liability insurance requirements for architects and engineers.

Finding No. 11: Facilities Management

The Construction and Facilities Department is responsible for managing construction and renovation projects. During the 2013-14 fiscal year, the Construction and Facilities Department employed 20 full-time employees, and the department's operating cost was $1.1 million. Also, during the fiscal year, the District had expenditures totaling $25.6 million for capital projects fund construction and renovation projects and, as shown on the District's Five-Year Work Plan as approved by the Board on November 10, 2014, the District planned to spend an additional $138 million on these projects over the next five fiscal years. At June 30, 2014, the historical cost of the District's educational and ancillary facilities was approximately $510 million and, as shown in the FDOE's Florida Inventory of School Houses data, District facilities had an average age of 32 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 2013-14 fiscal year, this department employed 122 employees, including grounds and maintenance personnel, and the department's operating cost was $10.3 million.

Based on our review of controls over the District's facilities construction and maintenance activities as noted in our report No. 2012-136, we recommended that the District develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques and document these evaluations, and develop additional goals and objectives for the construction and facilities, and maintenance, departments to identify cost-effectiveness or efficiency outcomes for department personnel.

District personnel indicated that, in December 2013, a Maintenance Operations Manual was developed establishing additional goals and accountability objectives for the Maintenance Department and, as of October 2014, the District was in the process of developing written policies and procedures regarding the evaluation of alternative construction methods and maintenance-related techniques and additional goals and accountability objectives for the Construction and Facilities Department. A similar finding was noted in our report No. 2012-136.

Recommendation: The District should continue its efforts to develop written policies and procedures requiring periodic evaluations of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. The District should also continue its efforts to develop additional goals and objectives for Construction and Facilities Department personnel to identify cost-effectiveness or efficiency outcomes for these personnel.

Personnel and Payroll

Finding No. 12: Promotions

Pursuant to Section 1012.22, Florida Statutes, the Board must prescribe qualifications for positions to be filled and provide for appointment to these positions. Board policies provide for vacancies to be filled pursuant to Superintendent recommendations based on Board-approved classification specifications, which establish minimum

training and experience qualifications for District positions. While our review disclosed that the District generally followed these requirements in filling job vacancies, we noted the following exceptions:

- The minimum qualifications for the Assistant Superintendent – Support Services position[2] require a master's or doctorate degree with six years related experience, or a bachelor's degree with eight years related experience. Effective July 2007, the Superintendent recommended, and the Board approved, promotion of an individual to the Assistant Superintendent – Support Services position. The individual, who remained in that position until February 28, 2014[3], received a $16,280 annual salary increase as a result of the promotion. However, although the individual had 22 years of maintenance work experience for the District, the individual lacked the minimum qualifications for this position at the time of the promotion as the individual did not have the required degree.
- The minimum qualifications for the Director II position[4] require a master's degree with six years related experience, or a bachelor's degree with eight years related experience. The Superintendent recommended, and the Board approved, appointment of an individual to the Interim Director II position effective July 2007, and promotion of the same individual to the Director II position effective January 2008. This individual, who remains in that position as of November 2014, received a $5,994 annual salary increase as a result of the Interim Director II appointment and a $2,468 annual salary increase as a result of the Director II promotion. However, although the individual had 18 years of work experience in the Maintenance Department, the individual lacked the minimum qualifications for this position at the time of the appointment and promotion as the individual did not have the required degree.

District records did not evidence that the Board was informed that these employees did not meet the Board-prescribed minimum qualifications for these positions at the time they were recommended for promotion. When employees are promoted to positions without meeting the minimum qualifications, there is an increased risk that the employee may not be competent to handle the job responsibilities and the District's ability to demonstrate the fair, equitable, and unbiased selection of the best available candidate may be limited.

Recommendation: The District should enhance its procedures to ensure that the basis for promotions is consistent with Board-prescribed minimum job qualifications.

Finding No. 13: 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, 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 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 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.

[2] This position had responsibilities that varied over the tenure of the position, including oversight of the Maintenance; Construction and Facilities; Transportation; Food Service; and Purchasing departments.
[3] The Assistant Superintendent resigned effective February 28, 2014.
[4] This position had responsibilities over construction.

The salary schedule and union contract provided for certain types of differentiated pay; however, without a Board-established documented process for identifying which instructional personnel 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. District personnel indicated that, as of October 2014, negotiation was still ongoing with the union to develop a salary schedule and union contract for the 2014-15 fiscal year to comply with the statutory differentiated pay requirements. A similar finding was noted in our report No. 2012-136.

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

Finding No. 14: Personal Use of Board-Owned Motor Vehicles

During the 2013-14 fiscal year, 35 Board-owned vehicles were specifically assigned to 36 employees. Board Policy 8651, *Board-owned Vehicles*, states, in part, that employee use of Board-owned vehicles shall be limited to those employees whose duties require such use and, if an assigned Board-owned vehicle is used for transportation to and from work, the employee will be advised of the potential tax consequences for such routine use. United States Treasury Regulation 1.61-21(a) provides that an employee's gross income includes the fair market value of any fringe benefits not specifically excluded from gross income by another provision of the Internal Revenue Code. The personal use of an employer-provided vehicle (i.e., driving the vehicle to and from the employee's residence) is a fringe benefit that must be included in the employee's gross income as compensation for services, unless otherwise excluded.

The 36 employees assigned a Board-owned vehicle were permitted to drive the vehicles to and from their residence. In response to our inquiry, District personnel provided 2013 calendar year income amounts reported to the Internal Revenue Service for 17 employees who were assigned the vehicles for teaching driver's education classes based on the estimated number of days the employee drove the vehicle to and from their residence. However, District records did not evidence a determination of whether the remaining 19 employees used the vehicles for personal use. Absent such a determination, there is an increased risk that the value of the personal use of a Board-owned vehicle by these employees may not be reported as taxable income contrary to United States Treasury Regulations and the Internal Revenue Code.

Recommendation: The District should also enhance its procedures to ensure proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.

Finding No. 15: Bus Drivers

SBE Rule 6A-3.0141(6), FAC, requires the District to obtain and review the Florida Department of Highway Safety and Motor Vehicles (FDHSMV) driver's history record for school bus drivers prior to initial employment and the first day of the fall semester, and thereafter using automated weekly updates. Also, SBE Rule 6A-3.0141(8), FAC, and Board policy provide that school bus drivers with expired, suspended, or revoked commercial vehicle driving licenses will not be allowed to drive a school bus.

The District employed 294 school bus drivers during the 2013-14 fiscal year. While District records indicated that monitoring procedures over bus drivers were generally adequate, our review disclosed that these procedures could be improved as follows:

- We reviewed bus driver history records for 25 bus drivers hired before the 2013-14 fiscal year who drove buses on August 19, 2013 (first day of the fall 2013 semester). While District records indicated that District personnel monitored the FDHSMV drivers' history records for 21 of the drivers tested, the District did not obtain and review the history records for 2 drivers until March 25, 2014, and District records did not evidence history records were obtained and reviewed for 2 other bus drivers until our inquiry in July 2014. As a result, driver history records for these 4 bus drivers were reviewed from 218 days to more than 10 months after the first day of the fall 2013 semester, contrary to SBE Rule 6A-3.0141(6), FAC. Although the history records indicated that the 4 drivers did not have expired, suspended, or revoked licenses requiring disciplinary actions, without reviewing bus driver history records before allowing the drivers to transport students, there is an increased risk that drivers may have unsuitable driving histories.
- Our comparison of District records to FDHSMV drivers' history records disclosed 2 bus drivers had suspended commercial vehicle driving licenses while continuing to drive District buses, as follows:
  - One bus driver drove regularly scheduled bus routes with a suspended commercial vehicle driving license for the lack of a medical certificate form for 95 days from November 7, 2013, to February 9, 2014. District personnel indicated that the bus driver obtained the medical certificate on October 10, 2013, but the driver did not timely submit the required form to the FDHSMV, resulting in the suspended license. The bus driver subsequently submitted the required form to the FDHSMV, paid the reinstatement fee, and the license was restored on February 10, 2014.
  - Another bus driver's license was suspended on November 1, 2013, for cancellation of personal injury protection insurance; however, the bus driver drove regularly scheduled bus routes with a suspended license for 48 days from August 18, 2014, through October 4, 2014, until the driver's license was reinstated on October 5, 2014. District personnel indicated that they were notified through automated weekly updates from FDHSMV on October 31, 2013, that the bus driver would be suspended as of November 1, 2013; however, the District was never notified that the driver's license was actually suspended.

To promote school bus safety and to reduce the risk of accidents caused by school bus drivers, it is important that the District ensure that drivers meet the requirements to operate school buses.

Recommendation: The District should enhance its procedures to ensure school bus drivers are appropriately licensed to drive buses.

Finding No. 16: Health Insurance Plan - Participant Eligibility

For the 2013-14 fiscal year, the Board-adopted collective bargaining agreements required the District to monthly contribute $439.78 for individual coverage, $670.09 for two person coverage, and $940.21 for family coverage for 10 months toward the health insurance of each full-time employee and, pursuant to Section 112.0801, Florida Statutes, retired employees and their dependents participated in the District's health insurance plan at their own expense, but at the rate of current employees. District personnel were responsible for deducting the insurance premium costs from employee pay and submitting payments to the insurance carrier. Employees may enroll in the District's health insurance plan during the open enrollment period, and make changes to their coverage outside of the enrollment period for certain qualifying events such as marriage, divorce, death, or birth of a dependent. There were 3,165 employees who contributed a total of $8.6 million and 973 retirees who contributed a total of $4.6 million to participate in the District's health insurance plan, and the District contributed $20.6 million toward the plan. Also, 2,350 dependents participated in the health insurance plan.

District personnel reconciled health insurance billings to current payroll records to ensure that insurance premiums and related claims payments were only for eligible employees. Also, for dependent insurance changes outside of the open enrollment period, employees provided evidence of the dependents' eligibility for the changes. However, the District did not require employees or retirees purchasing health insurance for their dependents during the open enrollment period to provide documentation, such as marriage licenses or birth certificates, evidencing the dependents' eligibility. Without verifying the eligibility of all dependents covered through the District's health insurance plan, there is an increased risk that dependents receiving insurance coverage may be ineligible participants.

Recommendation: The District should enhance its procedures to require verification of eligibility of all dependents covered by the District's health insurance plan.

Procurement

Finding No. 17: Purchasing Procedures

Board-adopted policies prohibit conflicts of interest and the District had certain procedures to reduce the risk of contractual relationships that cause conflicts of interest. For example, the Purchasing Department requires vendors and consultants to certify in writing whether conflicts of interest exist prior to entering into procurement transactions or contractual relationships. The Superintendent, Board members, Chief Financial Officer, and Director of Purchasing were required to file a statement of financial interests pursuant to Section 112.3145, Florida Statutes. However, these statements of financial interests were not provided to the Purchasing Department for review.

Subsequent to our inquiry in October 2014, Purchasing Department personnel reviewed the most recent statements of financial interests of the Superintendent, Board members, Chief Financial Officer, and Director of Purchasing and noted no apparent conflicts of interest. Providing for routine review and consideration of required statements of financial interests by the Purchasing Department would enhance the District's procurement practices and reduce the risk of questioned procurement transactions or contractual obligations.

Recommendation: The District should provide for routine review of required statements of financial interests by its Purchasing Department for consideration in making procurement decisions.

Finding No. 18: Contractual Services

The Board routinely enters into contracts for services, and internal controls have generally been designed and implemented to ensure payments are generally consistent with contract terms and conditions. For the 2013-14 fiscal year, payments for contractual services totaled $5.8 million. To determine the propriety of payments for contractual services, we tested eight payments totaling $443,881 and noted that controls over contracts for speech therapy services could be enhanced.

The Board approved seven contracts with a company to provide speech therapy services to students at seven schools and paid the company $285,060 for services during the 2013-14 fiscal year. Each contract stipulated speech therapists to perform services at a rate ranging from $65 to $68.50 per hour to be billed on a monthly basis. Our review of one payment totaling $17,590 and the seven related invoices for therapy services provided to seven schools during December 2013 and January 2014 disclosed that for three invoices, totaling $8,223, neither the invoices submitted nor other District records, such as sign-in, sign-out timesheets, evidenced the specific dates and hours worked by the therapists or that District personnel with direct knowledge confirmed receipt of the services. District personnel

indicated that they were not aware they needed to maintain documentation for time worked to verify invoiced amounts prior to payment.

Without adequate procedures to confirm that services are satisfactorily received and consistent with the contract terms prior to payment, there is an increased risk of overpayment or that services may not be consistent with the Board's intent.

Recommendation: The District should enhance its procedures to ensure satisfactory receipt of services is documented before payment is made.

Restricted Resources

Finding No. 19: Ad Valorem Tax Levy

Section 1011.71, Florida Statutes, allows the District to levy ad valorem taxes for capital outlay related 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; maintenance, renovation, and repair of existing schools; and enterprise resource software (ERS) applications that are used to support districtwide administration subject to certain conditions and limitations. Also, Section 1013.01(12), Florida Statutes, provides a definition of maintenance and repair that excludes groundskeeping functions. The District separately accounts for the transactions of each year's ad valorem tax levy in the Capital Projects – Local Capital Improvement (LCI) Fund.

Our tests disclosed, for the 2013-14 fiscal year, the District reported LCI Fund expenditures and transfers to other funds totaling $6.2 million and $15.4 million, respectively. We tested expenditures and transfers totaling $0.5 million and $2.2 million, respectively for their propriety. Our review disclosed $281,323 of LCI Fund expenditures and transfers to the General Fund for purposes that did not appear to be for authorized by Section 1011.71, Florida Statutes, as follows:

Description	Amount
Expenditures:	
Software (1)	$ 236,039
Transfers to the General Fund for:	
Groundskeeping (2)	45,284
Total	$ 281,323

Notes:

(1) District records indicated that these non-ERS costs included payments for various annual licenses for Microsoft software, a software service package for SAIL High School, and internet software for telephone and security camera services. District records did not evidence that these purchases were for enterprise resource software applications classified as capital assets having a useful life of at least five years and used to support district-wide administration or State-mandated reporting requirements. Therefore, these costs do not appear to represent allowable uses of ad valorem tax levy proceeds.

(2) These costs were for pest control services, including termite treatments ($19,320) at all sites, monthly pest control services ($24,024) at all sites, and animal trappings ($1,940) at various schools, which are unallowable uses of ad valorem tax levy proceeds. District personnel indicated that, because insects and pests can deteriorate buildings and equipment, the pest control services qualified as preventative maintenance activities. However, the other school districts cited for using ad valorem tax levy proceeds for pest control services have been required by the FDOE to restore these proceeds as such services were considered groundskeeping functions.

These costs represent questioned costs of ad valorem tax levy proceeds. Without adequate controls to ensure that ad valorem tax levy are expended for authorized purposes, the risk is increased that the District will violate applicable expenditure restrictions.

Recommendation: The District should enhance its procedures to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. The District should also document to the FDOE the allowability of the $281,323 of questioned costs or restore this amount to the LCI Fund.

Finding No. 20: Purchasing Card Rebates

The District maintains a purchasing card (P-card) program, provided through a financial institution, as an available procurement option for its purchasing payment processes. As an incentive, the District receives annual rebates from the financial institution, with the amounts determined based on the dollar amount of P-card purchases during annual periods. During the 2013 calendar year, the District had P-card purchases totaling $10,441,987 resulting in receipt as of February 2014 of $167,071 of rebates.

The $167,071 in rebates received by the District included $74,000 and $30,000 that were generated by purchases using restricted Federal, State, and local moneys in the special revenue and capital projects funds, respectively. However, the rebates were not allocated to the Federal awards or capital projects funds from which the purchases were made but were recognized as revenue in the General Fund for general operating purposes.

District personnel indicated that they were unaware that the rebates should be accounted for in the specific fund type that generated the rebate, but would account for future rebates appropriately. As certain Federal, State, and local resources may be restricted by law, rebates generated by expenditures of those funds may be subject to the same restrictions. Without procedures to allocate rebates to the appropriate funding source, there is an increased risk that rebates generated by restricted sources may be used for purposes inconsistent with the restrictions on these resources.

Recommendation: The District should consult with the appropriate Federal cognizant agency and the FDOE for resolution on the use and allocation of rebates received on P-card purchases.

Capital Assets

Finding No. 21: Tangible Personal Property

Chapter 274, Florida Statutes, and Department of Financial Services (DFS) Rule 69I-73, FAC, require that the District maintain adequate records of tangible personal property (TPP) and that the property be inventoried annually, compared to the personal property records, and all discrepancies reconciled. Any such property items as defined by DFS Rule 69I-73, FAC, found during the inventory must be included in the inventory records, and such items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. In addition, based on the results of the investigation, the District is required to file a report with the appropriate law enforcement agency of items not located.

Board policy requires that an inventory of all school and department cost centers be conducted annually by June 30th, that all discrepancies (e.g., missing items) be reported to the Property Management Department by July 31st, and that cost centers whose inventory discrepancies exceed one percent of their dollar value inventory are required to write a letter of explanation to the Superintendent detailing the reasons for the discrepancies and a corrective action plan.

The District reported approximately $82.8 million in TPP including furniture, fixtures, and equipment, and motor vehicles at June 30, 2014. While the District had performed annual physical inventories at 108 of its 117 cost centers during the 2013-14 fiscal year, annual physical inventories had not been conducted as of September 25, 2014, at 9 cost centers, including 2 elementary schools, a media services site, and 6 administrative sites, with TPP costs totaling $2.5 million. In response to our inquiry, District personnel conducted annual inventories as of October 10, 2014 at the remaining 9 cost centers and reported the results to the Property Management Department.

On July 10, 2013, the Assistant Principal at Lively Technical Institute certified that a complete inventory had been conducted at Lively Technical Institute for the 2012-13 fiscal year and that all inventory items had been accounted for. During the initial 2013-14 fiscal year physical inventory count conducted at Lively Technical Center in June 2014, 267 items were identified as missing, as certified by the Assistant Principal on July 31, 2014. At June 30, 2014, the District reported TPP at Lively Technical Center with an original cost of $3.6 million. In response to our inquiry, District personnel indicated that an investigation was conducted and some of the missing items were subsequently located; however, as of October 2, 2014, 95 items with a total cost of $170,000 had not been located and primarily included items such as computers, monitors, and projectors. The District has a procedure for reporting missing items to law enforcement if there is evidence of forced entry; however, none of the 95 missing items had been reported to law enforcement as of October 10, 2014.

Annual reconciliations of TPP records to physical inventories, with discrepancies thoroughly investigated and resolved, and reports of missing property promptly filed with the Board and law enforcement agencies, decrease the risk of TPP losses.

Recommendation: The District should strengthen procedures to provide for complete physical inventories each year and appropriate follow-up for items not located during annual physical inventories. After a thorough investigation, District personnel should timely report items not located to the appropriate law enforcement agency and to the Board for appropriate disposition.

Finding No. 22: Motor Vehicles

During the 2013-14 fiscal year, the District maintained 201 motor vehicles, excluding school buses, for use by employees while conducting official business, of which 35 vehicles were specifically assigned to 36 employees as noted in Finding No. 14. Vehicle usage logs are important to identify the individual, location, time, mileage driven, and official purpose of usage. District personnel advised us that vehicle usage logs were not required to be maintained to document usage of Board-owned vehicles. However, in response to our inquiry, we were provided, for the 2013-14 fiscal year, vehicle usage logs maintained for 11 vehicles used by driver's education instructors and logs maintained for 6 vehicles used by other District employees. Our review of the vehicle usage logs provided for the 17 vehicles disclosed that logs for 2 vehicles did not provide daily mileage readings, the specific purpose of the vehicle use, and the dates the vehicle was used. In addition, all 17 logs lacked evidence of supervisory review.

When vehicle usage logs with complete information, including evidence of supervisory review, are not maintained, there is an increased risk that Board-owned vehicles may be used for unauthorized purposes.

Recommendation: The District should enhance its procedures to ensure that vehicle usage logs for Board-owned vehicles, other than school buses, are properly maintained and reviewed.

Virtual Instruction Program

Finding No. 23: Virtual Instruction Program Policies and Procedures

Pursuant to Section 1001.41(3), Florida Statutes, school districts are responsible for prescribing and adopting standards and policies to provide each student the opportunity to receive a complete education. Educational methods to implement such standards and policies may include the delivery of learning courses through traditional school settings, blended courses consisting of both traditional classroom and online instructional techniques, participation in a virtual instruction program (VIP), or other methods. Section 1002.45, Florida Statutes, establishes VIP requirements and requires school districts to include mandatory provisions in VIP provider contracts; make available optional types of virtual instruction; provide timely written parental notification of VIP options; ensure the eligibility of students participating in VIPs; and provide computer equipment, Internet access, and instructional materials to eligible students.

During the 2013-14 fiscal year, District records indicated enrollment of 358 part-time and 51 full-time VIP students. The District had written procedures addressing student eligibility, student progression requirements, attendance, mandated testing, and other VIP procedures. However, written policies and procedures could be expanded to include more detailed instructions for staff charged with administering VIPs, as well as procedures for other VIP statutory requirements, such as provider contract mandatory provisions, timely written parental notifications of VIP options, and required background screenings for provider employees and contracted personnel.

Comprehensive, written policies and procedures would promote compliance with the VIP statutory requirements and evidence management's expectations of key personnel and communicate management's commitment to, and support of, effective controls. Further, the absence of comprehensive, written VIP policies and procedures may have contributed to the instances of District noncompliance and control deficiencies identified in Finding Nos. 24 through 26. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities.

Finding No. 24: Provider Contracts

Section 1002.45(4), Florida Statutes, requires that each contract with a FDOE-approved VIP provider contain certain provisions. For example, approved provider contracts must specify that the provider is responsible for all debts of the VIP if the contract is not renewed or is terminated, specify the authorized reasons for contract termination, specify a method for resolving conflicts among the parties, and require the provider to comply with all requirements of Section 1002.45, Florida Statutes.

The District contracted with an FDOE-approved VIP provider. Our review of the contract disclosed that the contract included the provisions required by Section 1002.45, Florida Statutes; however, we noted the following:

- The contract did not provide for the District to monitor the provider's compliance with contract terms. Without such a provision, District personnel may be limited in their ability to perform such monitoring. Such monitoring could include confirmation or verification that the VIP provider protected the confidentiality of student records and supplied students with necessary instructional materials.
- The contract included no provisions for data quality requirements. The provider maintains significant amounts of education data used to support the administration of the VIP and to meet District reporting

needs to ensure compliance with State funding, information, and accountability requirements as set forth in State law. Accordingly, it is essential that accurate and complete data maintained by the provider on behalf of District be available in a timely manner. The inclusion of data quality requirements in contracts would help ensure that District expectations for the timeliness, accuracy, and completeness of education data are clearly communicated to providers.

A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that necessary provisions are included in contracts with all FDOE-approved VIP providers.

Finding No. 25: Written Parental Notifications

Section 1002.45(10), Florida Statutes, requires that each school district provide information to parents and students about their right to participate in a VIP. Further, Section 1002.45(1)(b), Florida Statutes, requires all school districts to provide parents with timely written notification of the open enrollment periods for VIPs.

For the 2013-14 school year, District personnel indicated that various communication methods were used to provide information about the District's VIP options and associated enrollment periods to parents and students. Such communications included the District's Web site, sending electronic mailing lists, and flyers posted and brochures made available and distributed in school guidance offices. While these methods indicate efforts by District personnel to communicate with parents and students about the VIP, District records did not evidence that written notifications were provided directly to parents of students regarding the VIP and associated open enrollment periods.

Absent timely, written notifications provided directly to parents, some parents may not be informed of available VIP options and associated open enrollment period dates, potentially limiting student access to virtual instruction types. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should enhance its procedures to ensure that records are maintained evidencing timely, written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Finding No. 26: Provider Background Screenings

Section 1002.45(2)(a)3., Florida Statutes, requires VIP providers to conduct background screenings for all employees or contracted personnel as a VIP provider in the State. The District did not initially request or obtain evidence of background screenings for employees and contracted personnel from one of its VIP providers. Subsequent to our inquiry, District personnel obtained evidence of background screenings and noted no inappropriate backgrounds.

Without effective controls to ensure that background screenings of VIP provider employees and contracted personnel are performed, there is an increased risk that these individuals may have backgrounds that are inappropriate for interacting with students and accessing confidential or sensitive District data and information technology resources. A similar finding was noted in our report No. 2013-094.

Recommendation: The District should ensure that required background screenings are performed timely for all VIP provider employees and contracted personnel.

Information Technology

Finding No. 27: Access Privileges

Access controls are intended to protect data and information technology (IT) resources from unauthorized disclosure, modification, or destruction. Effective access controls include granting employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions outside of their areas of responsibility.

The District implemented a new administrative software suite, including finance and human resources (HR) applications, on January 1, 2012. Our review of selected access privileges to the finance and HR applications disclosed some access privileges that permitted employees to perform incompatible functions or that were unnecessary. Specifically:

- The Systems Programmer, Systems Program Manager, three Computer Systems Analysts, Instructional Information Systems Specialist, and Supervisor and Project Manager had systemwide access privileges that allowed update access to all functions within the finance and HR applications, including transaction origination, correction, and changes to finance and payroll data and security tables. In response to our inquiry, District management indicated that systemwide access was assigned to facilitate the implementation of the District's new administrative software suite and the ongoing monitoring and change efforts needed during the implementation. Subsequent to our inquiry, District management removed systemwide access from the three Computer Systems Analysts and the Supervisor and Project Manager described above. Nevertheless, complete update access privileges to the applications were not necessary for these seven employees' day-to-day responsibilities and were contrary to an appropriate separation of duties.
- Bookkeepers at individual school sites had the ability to update the pay rate for hourly employees within the HR application which was unnecessary for their assigned responsibilities. In response to our inquiry, District management indicated that the bookkeepers updated employee hours on the HR application's Payroll Worksheet screen; however, because both the pay rate and hours fields were entered on this screen, the ability to update one field enabled the ability to update the other field as well. District management further indicated that they requested in August 2014, for the application vendor to assist in providing a solution for restricting access to the pay rate field. As a compensating control, District management stated that the District's Payroll Department monitored pay rates for hourly employees and no discrepancies were noted during the year; however, the District had not documented this review from July 2013 through March 2014. Beginning in April 2014, District personnel began running a system generated report to identify any discrepancies in the pay rate before each payroll run. A similar finding was noted in the District's 2012-13 fiscal year financial audit.

Although the District had certain controls in place (e.g., supervisory monitoring of employee activities and expenditure monitoring) that compensated, in part, for the above deficiencies, the existence of these inappropriate or unnecessary access privileges increases the risk of unauthorized disclosure, modification, or destruction of District data and IT resources.

Recommendation: The District should remove systemwide access to ensure that access privileges assigned are necessary and enforce an appropriate separation of duties. In addition, until the ability to update pay rate can be restricted from school bookkeepers, the District should continue to monitor reports for unauthorized changes.

Finding No. 28: Security Controls - User Authentication and Logging and Monitoring of System Activity

Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed that certain District security controls related to user authentication and logging and monitoring of system activity 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 and logging and monitoring of system activity, the risk is increased that the confidentiality, integrity, and availability of District data and IT resources may be compromised. A similar finding related to user authentication was communicated to District management in connection with our report Nos. 2009-189 and 2012-136.

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

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in previous audit reports, except as shown in the following table:

Current Fiscal Year	2012-13 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	2007-08 Fiscal Year Audit Report and Finding Numbers
4	CPA Firm, Finding No. 13-05	NA	Audit Report No. 2012-136, Finding No. 6	NA
11	NA	NA	Audit Report No. 2012-136, Finding No. 7	NA
13	NA	NA	Audit Report No. 2012-136, Finding No. 4	NA
23	NA	Audit Report No. 2013-094, Finding No. 3 (Statewide VIP Audit)	NA	NA
24	NA	Audit Report No. 2013-094, Finding No. 4 (Statewide VIP Audit)	NA	NA
25	NA	Audit Report No. 2013-094, Finding No. 6 (Statewide VIP Audit)	NA	NA
26	NA	Audit Report No. 2013-094, Finding No. 7 (Statewide VIP Audit)	NA	NA
28	NA	NA	Audit Report No. 2012-136, Finding No. 11	Audit Report No. 2009-189 Finding No. 8

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

RELATED INFORMATION

The Custodian of Records for the District was subpoenaed and testified on December 2, 2014, before the Grand Jury for the United States District Court, Northern District of Florida, and produced numerous records pertaining to construction projects at 17 different schools for the period January 1, 2007, to December 31, 2013. The scope and extent of the Grand Jury investigation has not been publicly disclosed. The Board hired a law firm to conduct an investigation into alleged construction improprieties and, on November 10, 2014, the firm released a preliminary report to the Board, disclosing that no evidence was identified that construction contracts were selected or assigned

with criminal or fraudulent intent. In addition, the District hired a CPA firm, which is conducting internal audit procedures at Lively Technical Center.

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 February 2014 to November 2014 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.
- Determine whether management had taken corrective actions for findings included in previous audit reports.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

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 2013-14 fiscal year and selected actions taken prior thereto. 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 District 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
Information technology (IT) policies and procedures.	Reviewed the District's written policies and procedures to determine whether they addressed certain important IT control functions.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to the finance and human resources applications to determine the appropriateness and necessity based on the employees' assigned job responsibilities and adequacy with regard to preventing the performance of incompatible duties.
Deactivation of employee IT access.	Reviewed procedures that prohibited former employees' access to electronic data files. Tested the access privileges of former employees to determine whether the access privileges had been timely deactivated.
IT authentication controls.	Reviewed supporting documentation to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT risk assessment.	Reviewed the District's risk assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
IT audit logging and monitoring controls.	Reviewed procedures and reports related to the capture and review of system activity that were designed to ensure the appropriateness of access to and modification of sensitive or critical resources.
Financial condition.	Applied analytical procedures to determine whether the percent of the General Fund total unassigned and assigned fund balances at June 30, 2014, 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 other restricted capital project funds were expended in compliance with the restrictions imposed on the use of these resources.
Restrictions on use of Workforce Development funds.	Determined 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.	Tested a representative sample of 30 students from the population of students in adult general education classes to determine whether the District reported instructional contact hours in accordance with Florida Department of Education (FDOE) requirements.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Transparency.	Determined whether the District Web site included the proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
Budgets.	Determined whether District procedures for preparing the budget were sufficient to ensure that all potential expenditures were budgeted.
Inventories.	Reviewed the District's controls over safeguarding transportation parts inventories.
Investments.	Determined whether the Board established investment policies and procedures as required by Section 218.415, Florida Statutes, and whether investments during the fiscal year were in accordance with those policies and procedures.
School internal funds audits.	Determined whether the required school internal fund audits were performed and obtained timely by the District.
Annual physical inventory of tangible personal property.	Reviewed rules and procedures related to performing annual inventory counts of property. Examined supporting documentation of the District's annual physical inventory property and evidence that results of the inventory were reconciled to the property records and adequate follow up for missing property.
Motor vehicle utilization.	Tested vehicle logs for completeness and supervisory review. Also, determined whether the District had procedures for determining and reporting the taxable value for employees' use of Board-owned motor vehicles to the Internal Revenue Service.
Bonuses.	Determined whether employee bonuses were paid in accordance with Section 215.425(3), Florida Statutes.
Background screenings.	Determined, on a test basis, whether personnel who had direct contact with students had been subjected to required fingerprinting and background checks.
Bus drivers.	Determined whether District procedures were adequate to ensure that bus drivers were properly licensed and monitored.
Eligibility for health insurance benefits.	Reviewed District policies and procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that such insurance was timely cancelled upon employee termination. Also, determined whether the District had procedures for reconciling health insurance costs to employee, retiree and Board-approved contributions.
Employee payments.	Tested employee payments, other than travel and payroll payments, to determine whether such payments were reasonable, adequately supported, and for valid District purposes. Also, determined whether such payments were not contrary to Section 112.313, Florida Statutes.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Purchase of software applications.	Determined whether the District evaluated the effectiveness and suitability of the software application prior to purchase and if the purchase was performed through the competitive vendor selection process. Also, determined if the deliverables met the terms and conditions of the contract.
Construction processes.	Examined records and evaluated construction planning processes to determine whether processes were comprehensive, including consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
Construction administration.	For selected major construction projects, determined whether contractors were awarded construction projects in accordance with applicable laws and rules, and tested payments and supporting documentation to determine compliance with District policies and procedures and provisions of law and rules. Also, for construction management contracts, determined whether the District monitored the selection process of subcontractors by the construction manager.
Monitoring progress of construction projects.	Tested selected construction project records to determine whether projects progressed as planned and were cost-effective and consistent with established benchmarks, and whether contractors performed as expected.
Selection process and insurance for architects and engineers.	For selected major construction projects determined whether architects and engineers engaged during the audit period were properly selected and, where applicable, had evidence of required insurance.
Facilities management.	Determined whether the District developed written policies and procedures requiring periodic evaluations of alternative construction methods, techniques for performing significant maintenance-related jobs, and documented these evaluations. Also, determined whether the District developed additional goals and objectives for the construction and facilities, and maintenance, departments to identify efficiency or cost-effectiveness outcomes for department personnel.
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.
Rebate revenue.	Determined whether rebate revenue received from the purchasing card program was allocated to the appropriate District funds.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
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.
Auditor selection.	Determined whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes.
Related-party transactions.	Reviewed District policies and procedures related to identifying potential conflicts of interest. For selected District employees, reviewed Department of State, Division of Corporation, records; statements of financial interest; and District records to identify any potential relationships that represent a conflict of interest with vendors used by the District.
Dual enrollment programs.	Reviewed adequacy of District policies and procedures for dual enrollment programs. Determined, on a test basis, whether payments made for dual enrolled students were consistent with the applicable dual enrollment agreement and Section 1007.271, Florida Statutes.
Electronic funds transfers and payments.	Reviewed District policies and procedures relating to electronic funds transfers and vendor payments. Tested supporting documentation to determine whether selected electronic funds transfers and payments were properly authorized and supported, and complied with State Board of Education (SBE) Rule 6A-1.0012, Florida Administrative Code (FAC).
Commercial insurance purchases.	Determined whether District records evidenced the basis upon which the District decided that the methods selected for acquiring commercial insurance was the most advantageous for the District.
Charter school fiscal viability.	Determine whether the District evaluated the charter school application for the fiscal viability of the charter school and the competency of the staff responsible for operating the charter school before the charter was granted using the FDOE evaluation instrument required by Section 1002.33(6)(b), Florida Statutes, and SBE Rule 6A-6.0786, FAC.
Charter school audits.	Reviewed the audit reports for District sponsored charter schools to determine whether the required audit was performed.
Charter school termination.	For charter school charters that were not renewed or were terminated, reviewed District procedures to determine whether applicable funds and property appropriately reverted to the District, and that the District did not assume debts of the school, except as previously agreed upon by the District.

EXHIBIT A (CONTINUED)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Charter school expedited review.	Reviewed District procedures to determine whether they were sufficient and appropriate to determine whether its charter schools were required to be subjected to an expedited review pursuant to Section 1002.345, Florida Statutes. For schools and centers subjected to an expedited review, examined records to determine whether the District timely notified the applicable governing board pursuant to Section 1002.345(1)(b), Florida Statutes, and whether the District, along with the governing board, timely developed and filed a corrective action plan with FDOE pursuant to Section 1002.345(1)(c), Florida Statutes.
Charter school employee training.	Determined whether the District properly monitored the new charter schools to evaluate whether charter school employees received the appropriate training, pursuant to Section 1002.33(6)(f), Florida Statutes.
Charter school background screenings.	Determined whether the District verified that new charter schools subjected its employees and contractors to background screenings pursuant to Section 1002.33(12)(g)1., Florida Statutes.
Virtual instruction program (VIP) policies and procedures.	Determined whether the District had written VIP policies and procedures addressing certain important VIP functions.
VIP parent notification.	Reviewed District records to determine whether the District provided parents and students with information about their rights to participate in VIPs as well as timely written notification of VIP enrollment periods.
VIP background screenings.	For FDOE-approved VIP providers for which the District contracted, verified whether the District obtained a list of provider employees and contracted personnel, who could have direct contact with students, for whom background screenings were completed in accordance with Section 1012.32, Florida Statutes.
VIP FDOE-approved contract provisions.	For District-contracted FDOE-approved VIP providers, determined whether contracts with the providers contained provisions required by State law, including: (1) a detailed curriculum plan; (2) a method for satisfying graduation requirements; (3) a method for resolving conflicts; (4) authorized reasons for contract terminations; (5) a requirement that the provider be responsible for all debts of the VIP should the contract be terminated or not renewed; and (6) a requirement that the provider comply with Section 1002.45, Florida Statutes. Also, reviewed contracts to determine whether provisions were included to address compliance with contact terms, the confidentiality of student records, monitoring of the providers' quality of virtual instruction, data quality, and the availability of provider accounts and records for review and audit by the school districts and other external parties.

EXHIBIT B
MANAGEMENT'S RESPONSE

BOARD CHAIR
Maggie B. Lewis-Butler

BOARD VICE CHAIR
DeeDee Rasmussen

LEON COUNTY SCHOOLS

BOARD MEMBERS
Georgia "Joy" Bowen
Dee Crumpler
Alva Swafford Striplin

SUPERINTENDENT
Jackie Pons

December 19, 2014

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

Dear Mr. Martin:

Enclosed is the written response to the findings and recommendations included in the Preliminary and Tentative Operational Audit Report of the Leon County District School Board for the fiscal year ended June 30, 2014.

We would like to thank you for this opportunity to respond to each of the findings listed in the report. The District's response identifies the corrective actions that will be implemented with corresponding timeframes for implementation. We intend to fully implement appropriate corrective actions to address all findings.

It was a pleasure working with your staff and we appreciate the courtesy and professionalism displayed throughout the audit process. If you have questions or require additional information, please feel free to contact us.

Sincerely,

Jackie Pons

Jackie Pons
Superintendent

2757 West Pensacola Street • Tallahassee, Florida 32304-2998 • Phone (850) 487-7147 • Fax (850) 487-7141 • www.leonschools.net

"The Leon County School District does not discriminate against any person on the basis of gender, marital status, sexual orientation, race, religion, national origin, age, color or disability."

Building the Future Together

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Leon County District School Board
Operational Audit for FYE 6/30/2014
Audit Responses

Finding No. 1: Anti-Fraud Policy

Response:

The Board will enhance its fraud polices to identify the consequences of fraudulent behavior and allow individuals to anonymously report policy violations and known or suspected fraud.

Additional Comments:

None.

Finding No. 2: Budget Transparency

Response:

The District will ensure that proposed, tentative, and official budgets are timely and prominently posted on its Web site.

Additional Comments:

The omission of a prominent posting of the 2013-14 budget on the District's Web site was an oversight. However, we would like to note that the budget was available during this time through BoardDocs. BoardDocs is the electronic avenue utilized to post all school board materials and is accessible to the public via the District Web site.

Finding No. 3: Electronic Funds Transfers

Response:

The Board will revise its EFT policy to prescribe the accounting and control procedures for EFTs, including the use of electronic signatures.

Additional Comments:

The District's routine way of work included multiple controls over the EFT process. The controls included multiple verification methods which involved several District finance staff and bank employees. Written correspondence, telephone conversation, passwords and fobs are among the controls currently used to govern the EFT process. The exact steps and controls will be defined in District policies and procedures.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 4: Selection of Construction Management Entity (CME)

Response:

The District will ensure that CMEs are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Additional Comments:

The District is currently developing multiple procedures and policy amendments to ensure compliance with Florida Statute 287.055. These policies and procedures will include a requirement to evaluate construction methodology. When determining the most appropriate type of construction methodology, the policy will require the consideration of the complexity of project, type of project, and expected duration of the project. Additionally, there will be a requirement for post-project evaluations that will be used in future project assignments.

Finding No. 5: General Conditions Costs

Response:

The District will establish written policies and procedures addressing negotiation and monitoring of general conditions costs.

Additional Comments:

Several months ago, the District implemented changes to the construction manager contract that limited the percent paid at progression points. We have been in the process of reviewing other government entity contracts to develop policy updates including expressly defining what is acceptable as general conditions, profit and overhead. The Department of Management Services has developed a fee curve based on project complexity and size that serves as the model for our contract revision and policy amendment.

All three projects (Kate Sullivan, Gilchrist and Killearn Lakes Elementary Schools) that were higher than the state average were new additions and included items that may be more expensive but are a better investment of resources. Each room is equipped with wireless technology infrastructure and classroom equipment like Smart Boards for instructional advantages. 25-year roof shingles are used to lower long-term maintenance costs. Upgraded chillers and boilers are used for energy efficiency and lower long-term maintenance. An all brick exterior is used for energy efficiency, lower long-term maintenance and to match the aesthetics of the neighborhood and the other school buildings. At Kate Sullivan Elementary costs were higher due to the requirement of an underground storage tank that had to be added unexpectedly to meet storm water and neighborhood requirements and additional parking.

In the future, in order to better monitor the cost of construction and maximize resources the District is taking the following steps:

- Updating the educational specifications provided for projects to ensure the best quality is provided for the investment;

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

- Developing a process for comparing construction methodologies and the costs associated with each on an annual basis;
- Managing the scope of work and general conditions of each contract more rigorously;
- Conducting thorough cost-benefit analysis on exceptions; and
- Investing more resources in long-term facility planning and needs assessment.

Finding No. 6: Subcontractor Selection

Response:

The District will enhance its monitoring procedures to ensure that subcontractors are competitively selected.

Additional Comments:

The District utilized the Construction Manager at Risk approach for these projects and entered into a contract with the CME. Utilizing this approach, the CME is legally and financially responsible for the performance of the subcontractors on the project. Under the contract, the CME is charged with the responsibility of bidding, selecting and contracting with the subcontractors. The bidding process includes monitoring and awarding of bids. The District deemed the monitoring of subcontractors to be the responsibility of the CME, as outlined in the contract.

However, in an effort to promote transparency and ensure the viability of the process, Leon County Schools (LCS) staff were present during each bid opening. Based on the content of this finding, the District will add additional language to future contracts and enhance our policy to strengthen this process.

Finding No. 7: Verification of Subcontractor Licensure Status

Response:

The District will enhance its procedures to monitor verification of subcontractors' licensure status prior to commencement of work on projects.

Additional Comments:

The District utilized the Construction Manager at Risk approach for these projects and entered into a contract with the CME. Utilizing this approach, the CME is legally and financially responsible for the performance of the subcontractors on the project. Under the contract, the CME is charged with the responsibility of bidding, selecting and contracting with the subcontractors. These responsibilities would include ensuring that subcontractors have the required insurance, license, and bonds. In accordance with contract guidelines, District staff deemed the functions to be the responsibility of the CME.

The District's role in the process was the verification of licensure status for subcontractors on the permit application submitted to the LCS Code Enforcement Department. The verification was completed by cross referencing the information on the application using the Department of Business and Professional

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Regulation licensure database. In the future, the District will develop a procedure for documenting the verification procedures.

Finding No. 8: Monitoring Payment Requests

Response:

The District will enhance procedures for monitoring payment requests to require a documented comparison of cost items per CME payment requests to supporting documentation.

Additional Comments:

The architects are responsible for contract administration duties as delineated in their contracts with LCS. These duties include certifying the work performed by the CME and subcontractors related to each pay application before it is delivered to LCS. In accordance with contract guidelines, District staff deemed these functions to be the responsibility of the CME.

As noted in the finding, District staff reviewed and compared lines on the schedule of values against the pay applications. District staff verified mathematical accuracy of the request and verified prior payments were properly accumulated on payment requests. In the future, the District will add additional language to future contracts and enhance our policy to strengthen this process

Finding No. 9: Selection of Architects

Response:

The District will ensure that architects are ranked and competitively selected using the process prescribed by Section 287.055, Florida Statutes.

Additional Comments:

None.

Finding No. 10: Design Professionals – Liability Insurance

Response:

The Board will adopt a policy establishing liability insurance requirements for architects and engineers.

Additional Comments:

The District currently includes insurance requirements for professional services in each contract. The District's policy will be enhanced to reflect adherence with insurance requirements set forth in the Department of Management Services established guidelines.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 11: Facilities Management

Response:

The District will continue its efforts to develop written policies and procedures requiring periodic evaluation of alternative facilities construction methods and significant maintenance-related job techniques, and document these evaluations. Further, the District will continue its efforts to develop additional goals and objectives for construction and facilities department personnel to identify cost-effectiveness or efficiency outcomes for these personnel.

Additional Comments:

In 2013, the LCS maintenance department produced a manual providing guidelines for maintenance activities including establishing additional goals and accountability objectives. In 2014, the construction department began developing a construction and facilities manual. LCS staff members are gathering content for the construction and facilities manual by evaluating OPPAGA best practices, comparing other school districts operating procedures to those utilized in LCS, and reviewing District policies and procedures.

A draft is currently available and will be finalized upon final adoption of policies referenced throughout the manual.

Finding No. 12: Promotions

Response:

The District will enhance its procedures to ensure that the basis for promotion is consistent with Board-prescribed minimum job qualifications.

Additional Comments:

The Leon County School Board established a policy that allows for the substitution of years of experience for educational attainment as appropriate. Years of experience were used, in lieu of educational attainment, to promote the two District employees referenced in this finding. District management believed that Board policy provided the discretion to promote these employees using this criterion.

District management acknowledges the Auditor General's position that the Board should be made aware of substitutions. District policy will be amended to provide a guideline for substituting experience for education and for notifying the Board when this occurs.

Finding No. 13: Compensation and Salary Schedules

Response:

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

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Additional Comments:

The Leon County School Board is committed to using the collective bargaining process to mutually develop a salary schedule and contract terms to provide for certain types of differentiated pay that are required by State statute.

Finding No. 14: Personal Use of Board-Owned Motor Vehicles

Response:

The District will enhance it procedures to ensure proper reporting of the taxable value for employee's personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.

Additional Comments:

The District's procedure will provide guidelines for vehicle assignment and compliance with Internal Revenue Service rules. The guidelines will outline requirements for licensure, care and maintenance, business usage, usage logs, equipment and technology usage and seat belts usage, as well as prohibitions related to tobacco, alcohol, drugs, weapons and other contraband.

Finding No. 15: Bus Drivers

Response:

The District will enhance its procedures to ensure school bus drivers are appropriately licensed to drive buses.

Additional Comments:

The District recognizes and acknowledges the need for a thorough and complete review of bus driver history records as required by Statute. In the future, LCS will continue the weekly download of drivers' license history. Additionally, manual checking and review of the driver's history and license status will be increased to three times a year. All drivers will be required to immediately report to their Lead Worker any issues that would change their driving status. Further, the Transportation Department has established a new process that requires the comparison of the drivers' license downloads to the employee list to ensure that history records for all employees are reviewed in accordance with Statute. These actions will be fully documented by the Department.

Finding No. 16: Health Insurance Plan – Participant Eligibility

Response:

The District will enhance its procedures to verify the eligibility of all dependents covered by the District's health insurance plan.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Additional Comments:

None.

Finding No. 17: Purchasing Procedures

Response:

The District will provide for routine review of required statements of financial interest by its Purchasing Department for consideration in making procurement decisions.

Additional Comments:

None.

Finding No. 18: Contractual Services

Response:

The District will enhance its procedures to ensure satisfactory receipt of services is documented before payment is made.

Additional Comments:

The District will require that the provider completes a log at each site documenting the student contact hours and the work performed. The site administrator will review and verify accuracy of the logs. The log will be used to evidence receipt of services prior to payment of invoices.

Finding No. 19: Ad Valorem Tax Levy

Response:

The District will enhance its procedures to ensure that ad valorem tax levy proceeds are expended only for authorized purposes. The District will also restore $281,323 of questionable costs to the LCI Fund.

Additional Comments:

The District has restored the LCI Fund in the amount of $281,323 using the General Fund. Of the two expenditures noted, the District deemed the second expenditure in the amount of $45,284 to be an allowable expense because it was classified by the District as preventative maintenance. The District viewed pest control as preventative maintenance. However, the finding clarified that this is considered a grounds-keeping function.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 20: Purchasing Card Rebates

Response:

The District will evaluate multiple alternatives and implement the process that is determined to be most feasible in an effort to comply with this finding.

Additional Comments:

The district is concerned with the administrative requirements of tracing which purchases were made by the individual restricted fund sources and then, at the time the rebate is issued, allocating the respective percent of the rebate back to the appropriate restricted fund. For this reason, the district is considering the following options:

a. discontinuing the use of purchasing cards by the restricted fund cost centers;
b. issuing purchasing cards that are specific to the funding source so that they can be tracked; or
c. assigning a purchasing card to the restricted fund cost centers that does not include a rebate program.

Staff is currently reviewing each option to determine the best means to comply with this audit finding.

Finding No. 21: Tangible Personal Property

Response:

The District will strengthen procedures to provide for complete physical inventories each year and appropriate follow up for items not located during annual physical inventories.

Additional Comments:

None.

Finding No. 22: Motor Vehicles

Response:

The District will enhance its procedures to ensure that vehicle usage logs for Board-owned vehicles are properly maintained and reviewed.

Additional Comments:

None.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 23: Virtual Instruction Program Policies and Procedures

Response:

The District will develop and maintain comprehensive, written VIP policies and procedures to enhance the effectiveness of its VIP operations and related activities, including contracts, parent notifications and background screening.

Additional Comments:

None.

Finding No. 24: Provider Contracts

Response:

The District will ensure that necessary provisions are included in contracts with all FDOE-approved VIP providers.

Additional Comments:

The District included all statutory mandated provisions in contracts with all FDOE-approved VIP providers. These recommended revisions will be included in all future contracts.

Finding No. 25: Written Parental Notifications

Response:

The District will maintain evidence of timely written notifications to parents about student opportunities to participate in the District's VIP and open enrollment period dates.

Additional Comments:

None.

Finding No. 26: Provider Background Screenings

Response:

District personnel will ensure that required background screenings are performed timely for all VIP provider employees and contracted personnel.

Additional Comments:

None.

EXHIBIT B (CONTINUED)
MANAGEMENT'S RESPONSE

Finding No. 27: Access Privileges

Response:

The District will ensure that access privileges assigned to employees are necessary, enforce an appropriate separation of duties and monitor reports for unauthorized pay rate changes until system updates are completed.

Additional Comments:

Access Privileges
The District has now restricted system-wide access to just one staff member. In the case where this staff member is unavailable for any reason (travel, sickness, etc.) and system-wide access is needed by one of our other staff members, we will have our Active Directory administrators reset staff member's password so that their credentials can be temporarily used to respond to the emergency issue at hand. Once the issue is resolved, we will have our Active Directory administrators change the password again so that only the original staff member has system-wide access again.

Unauthorized Pay Rate Changes
The District made a request to Skyward in August 2014 to remove the capability for bookkeepers at individual school sites to change the pay rate for hourly employees. At this time the vendor has not given us any indication of when this issue might be resolved. The compensating control (monitoring of pay rates by the Payroll Department) must be used until resolution of the problem by Skyward.

Finding No. 28: Security Controls – User Authentication and Logging and Monitoring of System Activity

Response:

These are confidential findings that cannot be shared publicly. The District will implement the recommendation of the Auditor General.

Additional Comments:

None.