

**LEON COUNTY
DISTRICT SCHOOL BOARD**

Prior Operational
Audit Follow-Up



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the period of our audit, Jackie Pons served as Superintendent of the Leon County Schools and the following individuals served as School Board members:

	<u>District No.</u>
Alva Striplin	1
Dee Crumpler	2
Maggie B. Lewis-Butler, Chair to 11-16-15	3
Dee Dee Rasmussen, Chair from 11-17-15, Vice Chair to 11-16-15	4
Georgia "Joy" Bowen, Vice Chair from 11-17-15	5

The team leader was Lauren J. Wagner, CPA, and the audit was supervised by Karen L. Revell, CPA.

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LEON COUNTY DISTRICT SCHOOL BOARD

Prior Operational Audit Follow-Up

SUMMARY

This operational audit of the Leon County School District (District) focused on evaluating actions taken by the District to correct the deficiencies and noncompliance noted in our report No. 2015-088 and related District activities. Our audit disclosed the following:

Construction Administration

Finding 1: Prior to payment, District personnel did not compare construction management entity (CME) pay requests with applicable subcontractor invoices, bids, and contracts or document comparisons of CME pay requests with the costs in the guaranteed maximum price (GMP) contracts.

Finding 2: District procedures did not include comparisons of subcontractor bid awards to the CME subcontractor contracts to verify that subcontractors were competitively selected and that the bid awards and contract amounts agreed.

Finding 3: The District did not always document that subcontractors were appropriately licensed before work commenced on GMP projects.

Finding 4: District controls over negotiating and monitoring CME general conditions costs continue to need improvement.

Procurement – Contractual Services

Finding 5: Board policies and District procedures could be enhanced for legal services procured or reimbursed for the purpose of representing a District officer or employee in connection with a criminal investigation or defending a District officer or employee against civil or criminal actions arising out of or in the course of the performance of his or her assigned duties and responsibilities.

Finding 6: The District needs to enhance controls over other contractual service agreements and related payments.

Use of Restricted Resources

Finding 7: Contrary to State law, the District expended ad valorem tax levy proceeds for various items and services (e.g., custodial supplies and groundskeeping, lawn and maintenance, and animal deterrent services) that did not appear to be allowable uses for the proceeds.

Capital Asset Management

Finding 8: District tangible personal property controls continue to need improvement.

Finding 9: The District could enhance controls over motor vehicle use and the reporting of taxable income related to personal use.

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 2015-16 fiscal year, the District operated 45 elementary, middle, high, and specialized schools; sponsored 5 charter schools; and reported 33,585 unweighted full-time equivalent students.

In our report No. 2015-088 dated January 2015, we noted numerous deficiencies and instances of noncompliance related to administrative management and Board policies, construction administration, personnel and payroll management, procurement, use of restricted resources, capital asset management, Virtual Instruction Program administration, and information technology. Although our follow-up procedures found that the District had taken corrective actions for most of the findings, deficiencies related to construction administration, procurement, use of restricted resources, and capital asset management continue to exist.

FINDINGS AND RECOMMENDATIONS

CONSTRUCTION ADMINISTRATION

Pursuant to State law,¹ the Board 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 both design and construction phases. The CME is also 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 April 2015 through May 2016, the Board entered into 15 contracts totaling \$35 million with 14 CMEs for new construction, remodeling and renovations, repairs, and site improvement projects. Eleven of the 15 contracts contained a GMP. As part of our audit procedures, we examined documentation related to eight projects with CME contracts that contained a GMP (as listed in Table 1) and evaluated District construction administration procedures.

¹ Section 1013.45(1)(c), Florida Statutes.

**Table 1
Projects Selected for Audit**

Project Location	Contract Date	GMP Contract Amount	Amounts Through May 2016		
			Payments to CME (A)	Direct Materials Purchases (B)	Total Construction Cost (A) + (B)
1 SAIL High School	5/12/2015	\$6,260,642	\$4,859,178	\$950,716	\$5,809,894
2 DeSoto Trail Elementary School ^a	5/26/2015	6,136,123	2,507,346	549,352	3,056,698
3 Gilchrist Elementary School	7/21/2015	3,805,289	1,571,886	348,275	1,920,161
4 Woodville Elementary School ^b	4/14/2015	3,308,534	2,826,387	299,782	3,126,169
5 Montford Middle School	7/21/2015	3,288,966	1,979,645	383,615	2,363,260
6 Deerlake Middle School	7/28/2015	2,322,940	1,682,477	-	1,682,477
7 Ft. Braden School ^b	4/28/2015	2,275,346	2,213,070	-	2,213,070
8 Ruediger Elementary School	8/25/2015	2,120,230	999,941	349,534	1,349,475
Totals		<u>\$29,518,070</u>	<u>\$18,639,930</u>	<u>\$2,881,274</u>	<u>\$21,521,204</u>

^a The original GMP for this project was \$580,677 and included costs associated with Phase A of the project. The original GMP contract was subsequently amended to include Phase B scope of work, which increased the GMP by \$5,555,446 to \$6,136,123.

^b The Ft. Braden School project was completed on March 16, 2016, and the Woodville Elementary School project was completed on April 4, 2016. The other six selected projects were not completed as of May 2016.

Our tests disclosed that, pursuant to State law,² the District solicited competitive proposals when selecting the CMEs for the projects. However, as discussed in Findings 1 through 4, District construction administration procedures continue to need improvement.

Finding 1: Monitoring Construction Payment Requests

To ensure potential savings in material and labor costs and prevent cost overruns or other impediments to the successful completion of GMP contracts, it is important that the District verify that CME pay requests agree with supporting documentation such as CME and subcontractor contracts. In response to recommendations made in our report No. 2015-088, the Board amended its policy³ in June 2015 to require District personnel to compare CME pay requests, prior to payment approval, with corresponding cost lines on the schedule of values in the CME contracts and the subcontractor invoice, bid, and contract terms and amounts.

To determine whether District personnel compared, of record, the CME pay requests with supporting documentation in accordance with the Board policy, from the population of 78 CME pay requests totaling \$18.6 million during the period May 2015 through May 2016, we selected 8 CME pay requests (one from each of the eight projects selected for audit) and examined District records supporting 16 selected subcontractor cost lines totaling \$548,466 listed on the pay requests' schedule of values for January and February 2016. Although, in response to our inquiry, District personnel indicated that they had compared the CME pay requests with corresponding cost lines on the schedule of values in the CME GMP contracts

² Section 287.055, Florida Statutes.

³ Board Policy 6323 – *General Construction Contract Procedures*.

and the subcontractor invoices prior to payment, District records were not provided to evidence these comparisons. According to District personnel, the District did not document comparisons of CME pay requests to CME GMP contracts and subcontractor invoices because industry standards do not require documented comparisons. District personnel also stated that they did not compare CME pay requests with subcontractor bids and contracts because the CME maintains these documents.

Subsequent to our inquiry, the District obtained the subcontractor bids and contracts from the CME and provided the documentation to us. Based on our review, we noted that payments were consistent with the subcontractor invoice, bid, and contract amounts; however, our procedures cannot substitute for the District's responsibility to comply with Board policy. District personnel indicated that, in April 2016, they began obtaining from the CMEs copies of subcontractor bids and contracts for comparison with payment requests. Without documentation of the comparisons, the District cannot demonstrate compliance with Board policy and, absent the performance of comparisons, there is an increased risk that the District may overpay for services and not realize maximum cost savings under GMP contracts. A similar finding was noted in our report No. 2015-088.

Recommendation: The District should continue efforts to require, before CME payments are made, a documented comparison of the amounts requested by the CME for payment with appropriate supporting documentation.

Finding 2: Subcontractor Selection

Pursuant to the GMP contracts, the CME is required to solicit bids for subcontractor services. Good business practice dictates that the District monitor the CME's competitive selection of subcontractors to ensure that subcontractor services are obtained at the lowest cost consistent with acceptable quality and that maximum cost savings under the GMP contracts are realized.

Based on our discussions with District personnel and review of subcontractor bid tabulation sheets, we determined that District personnel attended the subcontractor bid openings and signed the bid tabulation sheets. However, District personnel indicated that the District had not established procedures to ensure that subcontractors were competitively selected or to require District comparisons of subcontractor bid awards per bid tabulation sheets with the CMEs' subcontractor contracts because the District relied on the CMEs for these processes.

Our review of District records disclosed that there were 165 subcontractor services associated with the eight projects selected for testing. To determine whether the subcontractor bid awards listed on the bid tabulation sheets agreed with the CMEs' subcontractor contracts, we requested that District personnel obtain supporting subcontractor bid and contract information from the CMEs for 20 selected subcontractor contracts. These 20 contracts were for demolition, electrical, roofing, masonry, and other subcontractor services. Our review of the documentation provided disclosed that the bid awards were consistent with the bid tabulation sheets and related contracts; however, our procedures cannot substitute for management's responsibility to verify that subcontractor contracts are awarded using a competitive selection process.

In addition, our review of documentation supporting the 165 subcontractors selected by the CMEs disclosed that 13 of the 165 subcontractors were not the bidder with the lowest bid listed on the bid

tabulation sheets and District records did not demonstrate the basis used by the CME to select the subcontractors. Contracts awarded to these 13 subcontractors ranged from \$5,080 to \$921,632 and totaled \$3 million. In response to our inquiry, District personnel indicated that, according to the CMEs, there were various reasons to justify why the CME did not select the subcontractor with the lowest bid. For example, the subcontractor's bid did not include the complete scope of the project or the subcontractor did not provide bond documentation with their bid. However, at the time of our inquiry, the District did not have records documenting the CMEs' explanations.

Subsequent to our inquiry in July 2016, the District requested documentation from the CMEs to support their explanations and the CMEs provided the District with documentation to justify why 5 of the 13 subcontractors with the lowest bids were not selected. The documentation provided indicated that:

- 2 subcontractors' bids did not include the complete scope of the project.
- 2 subcontractors were not selected because Board policy⁴ allowed selection of a local subcontractor whose bid was within 5 percent of the lowest bid.
- 1 subcontractor did not provide the required bond documentation.

Although documentation could not be provided to justify why the remaining 8 subcontractors with the lowest bids were not selected, District personnel indicated that:

- 4 of the subcontractors did not include the complete scope of the project in their bids.
- 2 subcontractors did not provide the required bond documentation.
- 1 subcontractor did not include the complete scope of the project and did not provide bond documentation with their bid.
- 1 subcontractor refused to contract with the CME because a cost estimate error.

Without District procedures to verify that CMEs document the use of a competitive process for selecting subcontractors and that bid award and contract amounts agree, there is an increased risk that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and maximum cost savings under GMP contracts may not be realized. A similar finding was noted in our report No. 2015-088.

Recommendation: The District should establish procedures to verify that CMEs select subcontractors using a competitive process. Such procedures should require:

- **Comparisons of subcontractor bid awards listed on the bid tabulation sheets with subcontractor contract amounts be performed and documented by District personnel.**
- **District personnel document verification of the propriety of the CME's selection process, including the basis for selecting other than the lowest bidder.**

Finding 3: Subcontractor Licenses

State law⁵ requires the CME to consist of, or contract with, licensed or registered professionals for the specific fields or areas of construction to be performed. State law⁶ also establishes certain certification

⁴ Board Policy 6325 – *Small Business Development Program*.

⁵ Section 1013.45(1)(c), Florida Statutes.

⁶ Chapter 489, Florida Statutes.

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, in June 2015, the District's Construction and Facilities Department implemented new subcontractor license verification procedures. These procedures require CMEs to identify the subcontractors who will work on District facilities and provide copies of the subcontractor licenses along with the building permit application form submitted to the District during the permitting process. The procedures also require District personnel to verify subcontractor licenses before the subcontractors commence work on District facilities.

According to District personnel and records, 81 subcontractor contracts (associated with projects 3, 5, 6, and 8 listed in Table 1) commenced after the Construction and Facilities Department implemented the new procedures. To determine the effectiveness of the subcontractor verification procedures, we requested a total of 16 electrical, air conditioning, plumbing, and roofing subcontractor licenses and, as similarly noted in our report No. 2015-088, we found that District records did not initially evidence license verification for 4 subcontractors who worked on project 8 (Ruediger Elementary School). In response to our inquiries, District personnel acknowledged that District records did not always document timely verification of the subcontractors' licenses; however, in April 2016, subsequent to our inquiries, District personnel obtained from the CME documentation that evidenced the 4 subcontractors' licensure.

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

Recommendation: We continue to recommend that the District enhance procedures to verify that subcontractors are appropriately licensed before they commence work on District facilities. Such verification should be documented in District records.

Finding 4: General Conditions Costs

Effectively negotiating and documenting the reasonableness of general conditions costs is essential to ensure that potential cost savings are realized under GMP contracts. In June 2015, the Board adopted a policy⁷ that requires District personnel to perform an analysis of general conditions costs by comparing, when applicable, a project's general conditions costs with the general conditions costs of similar District projects. District staff are to use the results of the analysis to negotiate the type and amount of general conditions costs and provide the Board a summary of the general conditions costs analysis for consideration as part of the GMP contract approval process.

The CME GMP contracts for the eight projects selected for audit included general conditions costs provisions totaling \$3.3 million. These cost provisions addressed such items as direct and indirect salary, temporary job-site office space, bonds, and insurance costs. Table 2 lists the four projects with GMP contracts entered into after the Board adopted the general conditions costs policy. We examined District records supporting these four projects to evaluate the reasonableness of the projects' general conditions costs.

⁷ Board Policy 6321 – *Construction of Educational Facilities*.

Table 2
Selected Projects With
Guaranteed Maximum Price Contracts

Project Location	Contract Date	General Conditions Costs Per Contracts
Montford Middle School	7/21/2015	\$517,176
Gilchrist Elementary School	7/21/2015	383,986
Deerlake Middle School	7/28/2015	379,560
Ruediger Elementary School	8/25/2015	315,164
Total		<u>\$1,595,886</u>

Although we requested, District personnel could not provide evidence that the District performed an analysis of the general conditions costs for any of the four projects. In response to our inquiries, District personnel indicated that the Board approved the general conditions costs with the GMP contracts and the District evaluated the general conditions costs for these projects based on the project size, location, type of work, and other guidelines; however, no documentation for these evaluations was provided. Without such documentation, District records do not evidence the District's determination that the general conditions costs were reasonable and proper.

To determine the reasonableness and propriety of general conditions costs, we selected 8 CME pay requests (one from each of the eight projects selected for audit) from the population of 78 CME pay requests totaling \$18.6 million during the period May 2015 through May 2016, and examined District records supporting 68 selected general conditions cost lines totaling \$187,009 on the pay requests' schedules of values. We found that for three projects (projects 1, 5, and 8 listed in Table 1), the CME requested payment for salaries of project managers, superintendents, and other project personnel totaling \$25,067, \$23,945, and \$19,623, respectively, and that project staffing invoices supporting the salary amounts requested for payment were available. However, although we requested, District personnel were unable to provide documentation, such as salary records or time sheets, to support the pay rates and time worked as invoiced by the CME.

Absent documented monitoring of general conditions costs, the District may be limited in its ability to determine the reasonableness and propriety of such costs or to recover any associated cost savings. A similar finding was noted in our report No. 2015-088.

In February 2016, the Construction and Facilities Department distributed to project coordinators a staff memorandum outlining allowable types of general conditions costs and, in June 2016, District personnel indicated a standard form was developed for use in documenting the analysis of general conditions costs and negotiating future project costs.

Recommendation: The District should continue efforts to demonstrate that the reasonableness and propriety of GMP general conditions costs are analyzed in compliance with Board policy. We also recommend that District personnel document the receipt and review of sufficiently detailed documentation supporting CME general conditions costs payment requests.

Included in the Board's stewardship and fiduciary responsibilities associated with managing public resources is the responsibility to ensure that District controls provide for the effective and efficient use of resources in accordance with applicable laws, rules, and other guidelines. To promote responsible spending and improved accountability, it is important for District records to demonstrate that public funds are properly utilized in fulfilling the Board's legally established responsibilities.

Finding 5: Contracted Legal Services

As noted in our report No. 2015-088, in 2014 the United States Attorney's Office, in coordination with other Federal and State government entities, initiated a Grand Jury investigation into potential Federal and State law violations at the District relating to school construction contracts. In October 2014, the District was issued a subpoena by a Federal Grand Jury, working with the United States Attorney's Office and the Federal Bureau of Investigation, for records relating to construction projects at 17 schools during the period January 2007 through December 2013. As of July 2016, no charges had been filed and the United States Attorney's Office investigation was ongoing.

During the period January 2014 through June 2016, the Board, Superintendent, or Deputy Superintendent contracted with a total of five law firms for legal services in connection with the investigation of potential law violations and the District paid the five law firms a total of \$667,846. Our examination of District records related to the contracts with these law firms found that one law firm was engaged to provide legal services and advice to, and the representation of, the Superintendent and another firm was engaged to provide legal services and advice to, and the representation of, an Assistant Superintendent. We also noted that the initial (March 17, 2014, through June 30, 2014) contract with the law firm representing the Superintendent and the contract with the law firm representing the Assistant Superintendent were approved by the Deputy Superintendent. According to the fee schedule in each of these initial contracts, the services were not to exceed \$50,000.

State law⁸ provides that the Board is the contracting agent for the District and State Board of Education rules⁹ authorize the Board to delegate its purchasing authority to the Superintendent and to assistants functioning under the Superintendent's direction. Board policy¹⁰ authorizes the Superintendent to enter into agreements with consultants for services totaling \$50,000 or less, and requires Board approval for consultant agreements exceeding \$50,000. However, the Board had not delegated to the Deputy Superintendent the authority to enter into consulting contracts.

State law¹¹ also provides that district school boards may provide legal services for officers and employees who are charged with civil or criminal actions arising out of and in the course of the performance of assigned duties and responsibilities. Alternatively, the district school board is to provide for reimbursement of reasonable expenses for legal services for officers and employees who are charged with civil or criminal actions arising out of and in the course of the performance of assigned duties and

⁸ Section 1001.41(4), Florida Statutes.

⁹ State Board of Education Rule 6A-1.012(2), Florida Administrative Code.

¹⁰ Board Policy 6540, *Consultant Agreements*.

¹¹ Section 1012.26, Florida Statutes.

responsibilities upon successful defense by the officer or employee. Each expenditure by a district school board for legal defense of an officer or employee, or for reimbursement, must be made at a publicly noticed meeting. Florida courts have also recognized that district school board employees and officers have a right to legal representation at public expense pursuant to common law and independent of any statutory authorization. The Florida Supreme Court has opined that the “entitlement to attorney’s fees arises independent of statute, ordinance, or charter. For public officials to be entitled to representation at public expense, the litigation must (1) arise out of or in connection with the performance of their official duties and (2) serve a public purpose.”¹² Notwithstanding this statutory and common law right, we are not aware of statutory provision, case law, or Attorney General opinion, that specifically addresses the use of public funds for legal representation of a district school board officer or employee prior to criminal charges or litigation being brought.

As previously mentioned, the Board had established a policy authorizing the Superintendent to enter into agreements with consultants for services totaling \$50,000 or less. However, the Board had not established a policy to require, before the District becomes financially obligated, Board approval for legal services procured or reimbursed for the purpose of representing a District officer or employee in connection with a criminal investigation or defending a District officer or employee against civil or criminal actions arising out of or in the course of the performance of his or her assigned duties and responsibilities. The establishment of such a policy would enhance transparency and promote public confidence in the process for procuring legal services in these circumstances. Subsequent to the initial contract for the legal services for the Superintendent, the Board approved contract amendments and additional contracts for legal services and advice to, and representation of, the Superintendent and other District officers, Board members, and employees. However, the Board did not make, of record, a determination of the public purpose for the legal services contracts and related expenditures.¹³ Subsequent to our inquiry, the Board discussed the public purpose for the legal services and related expenditures at the July 12, 2016, Board meeting.

Further, according to Board records, on June 24, 2014, the Board approved “engagement letters” prepared by two of the five law firms to “re-engage both firms for services as needed through June 30, 2015.” One engagement letter addressed the provision of legal services for the Superintendent and the second engagement letter addressed legal services for the District, its officers (including Board members) and employees (but not the Superintendent). However, while the engagement letters stipulated that the District would pay the firms based on hourly service rates during the 2014-15 fiscal year, the letters did not establish the maximum amounts payable to the firms during that period. The District paid \$128,151 and \$179,823, respectively, to the firms for the 2014-15 fiscal year. In response to our inquiry, District personnel indicated that the engagement letters did not need to specify maximum amounts payable because the District’s budget established the Board-approved maximum costs for these services. For the 2014-15 fiscal year, the District’s original budget amount for legal services was \$650,000. However, absent a Board-approved maximum amount payable to each law firm, the District’s ability to limit such services is not readily apparent. We also noted that the engagement letters did not

¹² *Thornber v. City of Fort Walton Beach*, 568 So. 2d 914 (1990).

¹³ The expenditures related to the contracts for the legal representation of the Superintendent and the Assistant Superintendent totaled \$179,634 and \$18,648, respectively, for the period January 2014 through June 2016.

contain other terms and conditions necessary to protect the District's interests, for example, the conditions under which the District could terminate the engagements or remedies for the law firms' nonperformance of required services.

Recommendation: We recommend that:

- **The Board establish a policy to require, before the District becomes financially obligated, Board approval be obtained for all legal services procured or reimbursed for the purpose of representing a District officer or employee in connection with a criminal investigation or defending a District officer or employee against civil or criminal actions arising out of or in the course of the performance of his or her assigned duties and responsibilities.**
- **The Board timely document in its official records its determination that a District officer or employee is entitled to legal representation at public expense because the investigation or litigation arose out of or in connection with his or her official duties and that a public purpose was being served at the time of the alleged acts.**
- **Pursuant to Board policy, the authority to enter into consulting contracts that are \$50,000 or less be limited to the Superintendent.**
- **The Board ensure that expenditures for the legal representation of an officer or employee be made at a publicly noticed meeting.**
- **The Board should ensure that future legal services are procured utilizing a written agreement that specifies a maximum amount that the Board intends to pay for the services and contains the terms and conditions necessary to protect the District's interests.**

Finding 6: Other Contractual Services

Effective contract management ensures contract provisions establish required services and related service times and rates and the satisfactory receipt of contracted services prior to payment. The Board routinely enters into contracts for services and internal controls have been designed and implemented to generally ensure payments are consistent with contract terms and conditions.

During the period April 2015 through February 2016, the District paid a total of \$8.9 million for contractual services and, to determine the propriety of the associated payments, we examined 30 contracts and other District records supporting 41 payments totaling \$1.2 million. Our tests disclosed that:

- One of the 30 contracts, with associated District payments totaling \$158,889, was for technical support services for a student information system. The contract provided that monthly payments would be based on an hourly rate; however, neither the contract nor other District records initially set forth the hourly rate or related service times.

In response to our inquiry, District personnel obtained from the vendor a copy of the separate agreement between the vendor and a subcontracted consulting firm. The agreement required the subcontracted consulting firm to provide technical support services to the District at a rate of \$70 per hour. District personnel indicated that the Information Technology Director was aware of the subcontracted hourly rate and provided evidence that the Information Technology Director had direct knowledge of the receipt of services and had approved the payment.

- Two of the 30 contracts, with associated District payments totaling \$347,985, were with staffing agencies for temporary maintenance employees. The District payments were based on invoices that specified hourly service rates. We selected 42 invoices supporting 11 payments totaling \$116,609 to the staffing agencies and examined available documentation supporting receipt of the associated services billed for 40 of the invoices. However, although we requested, District

personnel could not provide time records, such as sign-in and sign-out sheets, to evidence satisfactory receipt of the services billed on 2 invoices totaling \$13,238. District personnel indicated that an accountant in the Maintenance Department reconciled invoices to the sign-in and sign-out sheets for all temporary maintenance employees prior to payment; however, due to Maintenance Department personnel changes, the time records supporting the payments for these 2 invoices could not be located.

Without contract provisions or other District records that demonstrate the basis for payments and effective procedures to document satisfactory receipt of contracted services prior to payment, there is an increased risk that the services may not be received consistent with the Board's expectations and that any errors or fraud that may occur will not be timely detected. A similar finding was noted in our report No. 2015-088.

Recommendation: The District should enhance procedures to ensure that District records document the hourly rates, related service times, and satisfactory receipt of contractual services prior to payment for the services.

USE OF RESTRICTED RESOURCES

State law¹⁴ allows the Board to levy ad valorem taxes within specified millage rates and subject to certain precedent conditions. The use of the associated tax levy proceeds is restricted by State law to certain specified school purposes.

Finding 7: Ad Valorem Tax Levy Proceeds

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 purchases of new and replacement equipment.¹⁵ State law¹⁶ provides a definition of maintenance and repair that specifically excludes custodial and groundskeeping functions.

The District accounts for ad valorem tax levy proceeds in the Capital Projects – Local Capital Improvement (LCI) Fund. For the period April 2015 through May 2016, the District had LCI Fund expenditures totaling \$4.7 million and transfers totaling \$25.3 million. To determine the propriety of District uses of ad valorem tax levy proceeds, we examined District records supporting selected LCI Fund expenditures totaling \$0.2 million and transfers totaling \$6.6 million. We found expenditures totaling \$35,732 for various items and services (e.g., custodial supplies and groundskeeping, lawn and maintenance, and animal deterrent services) that did not appear consistent with allowable uses of ad valorem tax levy proceeds. In response to our inquiry, District personnel indicated these expenditures were charged to the LCI Fund in error and the \$35,732 was restored to the LCI Fund in June 2016. A similar finding was noted in our report No. 2015-088.

Recommendation: The District should continue efforts to ensure that ad valorem tax levy proceeds are used only for authorized purposes.

¹⁴ Section 1011.71, Florida Statutes.

¹⁵ Section 1011.71(2), Florida Statutes.

¹⁶ Section 1013.01(12), Florida Statutes.

The District's capital assets, including tangible personal property (TPP), represent a significant resource investment. At June 30, 2015, the District reported TPP totaling approximately \$79.9 million. Included in this amount are the acquisition costs for approximately 440 motor vehicles (including 223 school buses). These assets need to be appropriately safeguarded and managed to ensure that the most value is received from this considerable investment.

Finding 8: Tangible Personal Property

State law¹⁷ and Florida Department of Financial Services (DFS) rules¹⁸ require the District to maintain adequate records of TPP (i.e., furniture, fixtures, and equipment, and motor vehicles) in its custody and that a complete physical inventory be taken annually. The results of the physical inventory are to be compared with the property records and any differences researched and resolved. All TPP items found during the physical inventory must be included in the property records, and any items not located must be promptly reported to the property custodian to cause a thorough investigation to be made. If the investigation determines that the item was stolen, the District is required to file a report with the appropriate law enforcement agency describing the missing item and the circumstances surrounding its disappearance.

Board policy¹⁹ requires that a complete physical inventory of all District-owned TPP be conducted annually and compared to the property records. Discrepancies are to be traced and reconciled and any losses must be reported to the Board. The District's annual inventory certification form includes instructions requiring annual physical inventories to be completed and certified by the cost center site administrator and all discrepancies (e.g., missing items) to be reported to the Property Management Department by July 31st.

As of February 2016, District personnel had performed annual physical inventories at 109 of the District's 116 cost centers within the last 12 months. Annual physical inventories had not been completed at the other 7 cost centers, which included an early childhood program site, 3 technology sites, and 3 administrative sites. The acquisition costs for the TPP assigned to these 7 cost centers totaled \$2.2 million. Subsequent to our inquiry, District personnel completed by April 2016 annual physical inventories for the 7 cost centers and reported the results to the Property Management Department.

As part of our audit, we examined District inventory records as of March 2016 for 14 cost centers. The TPP inventory records for these cost centers included 2,605 items with acquisition costs totaling \$6.5 million. We noted that 136 items (including computers, projectors, monitors, and five motor vehicles) with acquisition costs totaling \$311,931 were identified as missing at the Lively Technical Institute in December 2015. District personnel indicated that an investigation to locate the 136 missing items was on-going and, as a result of the investigation, District personnel had, as of July 2016, located 12 items at Lively Technical Institute and documented that 23 items were transferred to other cost centers. District

¹⁷ Chapter 274, Florida Statutes.

¹⁸ DFS Rule 69I-73, Florida Administrative Code.

¹⁹ Board Policy 7450 – *Property Inventory*.

personnel also provided us documentation of Board approval in December 2009 for disposal of the five missing motor vehicles. However, as of July 2016, the Board had not been notified of the remaining 96 missing items for appropriate disposition, and District personnel had not reported any of the 96 missing items to law enforcement.

In response to our inquiry, District personnel indicated that a complete physical inventory or timely investigation of the missing items was not performed because of personnel changes, and that the District is in the process of enhancing procedures to provide for timely annual physical inventories and to timely follow-up on items not located. Given the District's significant investment in TPP, it is important that the TPP be effectively safeguarded and managed. Absent the conduct of appropriate annual physical inventory procedures, the District cannot demonstrate compliance with State law and DFS rules and there is an increased risk that any loss or theft of District property will not be timely detected, reported to the appropriate parties, and reflected in District accounting records. A similar finding was noted in our report No. 2015-088.

Recommendation: The District should enhance procedures to ensure that an annual physical inventory of TPP is timely performed and any differences are thoroughly investigated. After thorough investigation, District personnel should timely report any items not located to the Board for appropriate disposition and, as applicable, to the appropriate law enforcement agency.

Finding 9: Motor Vehicles

As of March 2016, the District maintained 219 motor vehicles (excluding school buses) for use by employees while conducting official business, of which 175 vehicles were assigned to specific employees. District procedures require employees who are assigned vehicles to maintain vehicle usage logs that identify the employee; locations, time, and mileage driven; personal use; and official purpose use. The logs are to be submitted monthly to the employees' supervisors for review and approval. Board policy²⁰ also requires employee use of Board-owned vehicles 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 be advised of the potential tax consequences for such routine use. United States Treasury regulations²¹ provide 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. Unless otherwise excluded, the personal use of an employer-provided vehicle (i.e., use of the vehicle to drive 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.

To determine the adequacy of controls over motor vehicles assigned to District personnel, we requested and reviewed the February 2016 vehicle usage logs for 30 vehicles assigned to District personnel and found that no vehicle logs were maintained for 5 vehicles, vehicle logs for 12 vehicles lacked evidence of supervisory review and approval, and vehicle logs for 3 vehicles did not document the purpose of the vehicle usage. District personnel indicated that the deficiencies in the motor vehicle usage logs occurred because the District had delayed certain procedural enhancements, which were planned for July 2016.

²⁰ Board Policy 8651 – *Board-Owned Vehicles*.

²¹ United States Treasury Regulation 1.61-21(a).

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.

In addition, to evaluate the adequacy of controls over reporting taxable income for personal use of the 175 Board-owned vehicles assigned to specific employees, we inquired of District personnel and reviewed District records supporting the reported income of the employees with assigned vehicles. Our review of District records disclosed that the District did not report 2015 calendar year taxable income amounts to the IRS for the Superintendent; the Director of Construction; the Division Director over Transportation, Warehouse, and Maintenance; 2 Transportation Department employees; and 8 Maintenance Department employees because the District misunderstood the IRS reporting requirements for these 13 employees. Additionally, taxable income amounts were not reported for 1 driver's education instructor due to an oversight. Because the vehicle usage logs subjected to audit testing did not always evidence the specific purpose of the vehicle use, there is an increased risk that the value of any personal use related to the remaining District-owned vehicles may not be reported to the IRS as taxable income. Similar findings were noted in our report No. 2015-088.

Recommendation: The District should ensure that required vehicle usage logs are properly maintained, reviewed, and approved. Such reviews should determine whether the District should report the personal use of Board-owned vehicles to the IRS as taxable income in accordance with Federal requirements.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2015-088 except as noted in Findings 1, 2, 3, 4, 6, 7, 8, and 9 and shown in Table 3.

Table 3
Similar Findings Noted in
Previous Audit Reports

Finding	Operational Audit Report No. 2015-088, Finding
1	8
2	6
3	7
4	5
6	18
7	19
8	21
9	14 and 22

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 2016 to July 2016 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.

This operational audit focused on evaluating actions taken by the Leon County School District to correct the deficiencies and noncompliance noted in our operational audit report No. 2015-088 and related District activities. The objectives of this operational audit were to:

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

- Determine whether management had taken corrective actions for findings included in our report No. 2015-088.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

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

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

Our audit included transactions, as well as events and conditions, occurring during the audit period of April 2015 through March 2016, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit we:

- Reviewed District procedures for maintaining and reviewing employee access to information technology (IT) resources. We also reviewed selected access privileges for all 45 employees who had access to the finance and human resource applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties.
- Examined selected operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated District written policies and procedures, and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.

- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals.
- From the population of \$5.4 million total expenditures and \$25.3 million total transfers made during the period April 2015 through May 2016 from ad valorem tax levy proceeds and Public Education Capital Outlay funds, examined documentation supporting selected expenditures and transfers totaling \$202,338 and \$6.6 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Examined the District Web site to determine whether it included the 2015-16 fiscal year proposed, tentative, and official budgets pursuant to Section 1011.035(2), Florida Statutes.
- Reviewed rules and procedures for the 2014-15 fiscal year related to performing annual inventory counts of tangible personal property (TPP). We also examined documentation supporting the District's annual physical inventory of TPP to determine whether the District adequately followed up on any missing property.
- From the population of 219 Board-owned vehicles (excluding school buses) as of March 2016, examined 30 selected vehicle logs to determine whether the logs contained travel descriptions, starting and ending mileage readings, travel dates, reasons for travel, driver signatures, and evidence of supervisory review and approval.
- Examined records to determine whether for the 2015 calendar year the District properly reported the taxable value of employees' personal use of Board-owned vehicles in accordance with United States Treasury Regulations and the Internal Revenue Code.
- Examined District records for the 2015-16 fiscal year to determine whether the Board adopted a salary schedule with differentiated pay for both instructional personnel and school administrators based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties to demonstrate compliance with Section 1012.22(1)(c)4.b., Florida Statutes.
- Reviewed District policies and procedures and examined records for the three employees who, during the 2015-16 fiscal year, were promoted to positions with additional educational requirements to determine whether the basis for promotion was consistent with Board-prescribed minimum job qualifications.
- Examined Department of Highway Safety and Motor Vehicle and District records to assess whether District procedures were adequate to ensure that the 230 bus drivers were properly licensed and monitored during the 2015-16 fiscal year.
- Reviewed District policies and procedures to ensure health insurance was provided only to eligible dependents during the audit period.
- From 15 construction project contracts entered into by the Board during the period April 2015 through May 2016, examined documentation for 8 significant construction management contracts with guaranteed maximum prices (GMPs) totaling \$29.5 million to determine compliance with District policies and procedures and provisions of State laws and rules. Also, for these projects, we:
 - Examined records to determine whether construction managers were properly selected.
 - Reviewed District procedures for monitoring subcontractor selection and licensure, and examined records to determine whether subcontractors were properly selected and licensed.
 - Examined records to determine whether the architects were properly selected and adequately insured.

- Determined whether the District established written policies and procedures addressing negotiation and monitoring of general conditions costs.
- Examined records supporting eight payments totaling \$1.6 million to determine whether District procedures for monitoring payments to construction managers were adequate and payments were sufficiently supported.
- Determined whether rebate revenues received for purchasing card program expenditures for the 2015 calendar year totaling \$180,768 were allocated to the appropriate District funds.
- Reviewed District policies and procedures related to identifying potential conflicts of interest. For selected District employees required to file statements of financial interests for the audit period, we reviewed Department of State, Division of Corporation, records; statements of financial interests; and District records to identify any relationships that represent a potential conflict of interest with District vendors.
- Examined District records to determine whether the Board had established an adequate, comprehensive electronic funds transfer (EFT) policy and evaluated the adequacy of EFT controls.
- Examined District records and evaluated construction planning processes for the audit period to evaluate whether processes were comprehensive, included consideration of restricted resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.
- Evaluated District procedures for identifying facility maintenance needs and establishing resources to address those needs. For the audit period, we also compared maintenance plans with needs identified in safety inspection reports, reviewed inspection reports for compliance with Federal and State inspection requirements and timely resolution of deficiencies identified during inspections, and tested the work order system for appropriate tracking of maintenance jobs.
- Examined supporting documentation, including the contract documents, for 41 selected contractual service payments totaling \$1.2 million, from the population of contractual service expenditures totaling \$8.9 million during the period April 2015 through February 2016, to determine whether the District complied with competitive selection requirements and if the contracts clearly specified deliverables, time frames, documentation requirements, and compensation. Also, we examined supporting documentation to determine whether the District complied with Section 112.313, Florida Statutes, and had not contracted with its employees for services provided beyond those in their salary contracts. We also examined documentation for the 30 payments for proper support and compliance with contract terms.
- Examined documentation supporting legal service payments totaling \$667,846 made to five law firms during the period January 2014 through June 2016 in connection with an investigation into potential Federal and State law violations at the District relating to school construction projects to determine whether the legal services obtained were allowable, properly authorized, and paid in accordance with Florida law and rules of the State Board of Education.
- Evaluated the adequacy of District Virtual Instruction Program (VIP) policies and procedures.
- Evaluated District records for the audit period to determine whether the District properly informed parents and students about students' rights to participate in a VIP and the VIP enrollment periods as required by Section 1002.45(1)(b) and (10), Florida Statutes.
- For one Florida Department of Education (FDOE) approved VIP provider that contracted with the District for the 2015-16 fiscal year, determined whether the District obtained a list of provider employees and contracted personnel who had obtained the background screenings required by Section 1012.32, Florida Statutes.

- Examined the contract documents for one FDOE-approved VIP provider to determine whether the contract included provisions to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

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



Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

BOARD CHAIR

Dee Dee Rasmussen

BOARD VICE CHAIR

Georgia "Joy" Bowen



BOARD MEMBERS

Dee Crumpler

Maggie B. Lewis-Butler

Alva Striplin

SUPERINTENDENT

Jackie Pons

August 31, 2016

Ms. Sherrill F. Norman, CPA
Florida Auditor General
G74 Claude Pepper Building
111 West Madison Street
Tallahassee, FL 32399-1450

Dear Ms. Norman:

Pursuant to Section 11.45(4)(d), the Leon County School District is providing the enclosed written statement of explanation concerning the tentative findings reflected in the preliminary and tentative audit report of the Leon County District School Board. The responses included below detail the corrective actions that have been or will be implemented by management to address concerns noted in your report.

We would like to thank you and your staff for this very comprehensive review of the District's implementation of corrective actions to address findings included in Auditor General (AG) Report 2015-088. We were pleased that your report confirmed that corrective actions had been fully implemented to address 19 of the 28 findings referenced in AG Report 2015-088.

In response to the nine findings noted in this preliminary and tentative audit report, District management has fully implemented corrective actions for eight of these findings by strengthening documentation requirements and/or providing additional training. A detailed explanation of the specific actions taken are noted in our response below. For the one remaining finding, efforts are currently underway to draft and or revise District procedure.

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We would like to thank you for this opportunity to respond to the preliminary and tentative audit findings. The guidance and direction provided to the Leon County School District by way of the findings and recommendation included in your preliminary and tentative audit report will help to enhance overall District operation.

If you have questions or require additional information, please feel free to contact me.

Sincerely,



Jackie Pons
Superintendent

cc: Leon County School Board Members
Office of Internal Auditing

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Leon County District School Board Management Responses

Finding 1

As stated in the finding, we now require submission of all documentation listed in Leon County School Board Policy 6323 and will continue to focus our efforts to ensure full compliance with all requirements of Board policy regarding payments to contractors.

We are thankful that no exceptions were noted and that the AG review noted that payments were consistent with the subcontractor invoice, bid, and contract amount for the contracts reviewed.

Finding 2

District staff views the bidding of subcontractors as an inherent part of the Construction Management (CM) process. The District's position was that compliance with all requirements of statute was achieved by including relevant language in the CM contract. This language required the CM to obtain a minimum of three bids for all bid packages. In the absence of the three bid minimum requirement, the CM was required to obtain written approval from the district to proceed.

For all future CM contracts, district staff will compare subcontractor bid awards with subcontractor contract amounts and verify the propriety of the CM's selection process. These steps will be documented and maintained as a part of the District's CM file.

We are again thankful that no exceptions were noted and that the AG review of 20 subcontractor contracts disclosed that the bid awards were consistent with the bid tabulation sheets and related contracts.

Finding 3

The District's Facilities & Construction Procedures Manual requires the submittal of subcontractor licenses with the Building Permit Application. The Building Permit Application also has a line to check off that subcontractor licenses have been received and verified. District staff will continue to comply with subcontractor license verification procedures as outlined in the District's Facilities & Construction Procedures Manual. Further, in an effort to strengthen the verification process, the date and initials of the District staff completing the verification will be included on all future Building Permit Applications. We are again thankful that the AG report did not note any instances of unlicensed subcontractors working on District projects.

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Finding 4

The Construction and Facilities Department will continue to distribute a memorandum to project coordinators outlining allowable types of general conditions costs. This memorandum will be updated and redistributed periodically as industry standards dictate the need for updates or changes. District staff will also utilize a standard form for documenting the analysis of general conditions costs and negotiating future project costs. This form will be maintained as a part of the CM file.

Finding 5

As noted in this report, the District has been the subject of an investigation. The investigation was precipitated by what we believe to be false allegations made by disgruntled employees. To date, no criminal charges have been filed.

The investigation has spanned over two years and involved significant coordination and production by the School Board and its employees. When legal representation was initially obtained, it was unclear what course the investigation would take. Given the unique and unprecedented nature of the allegations and the desire of the School Board and District to expeditiously and aggressively investigate these allegations, the services of additional legal counsel with specific knowledge and expertise in the areas under investigation were obtained.

It should be noted, the Superintendent and District management were in constant contact with Board counsel and other legal counsel to obtain guidance and direction related to how to best investigate these allegations and protect the public interest and the rights of those employees facing these false allegations. The District relied on the knowledge base of these experts to guide decision making; however, based on information and guidance provided in this report the additional measures outlined below will be implemented to promote greater transparency.

The District will establish and implement a written procedure that requires:

- Board approval prior to the District becoming financially obligated for any legal services resulting from representation of a District officer or employee in connection with charges or an investigation (criminal or civil) arising out of or in the course of the performance of his or her assigned duties.
- The public purpose and a record of expenditures for this specific type of legal expense will be recorded in the official record at a publically noticed meeting.
- Contracts or agreement for this specific type of legal expense will include a best estimate of the maximum amount the Board intends to pay for these service and terms and conditions necessary to protect the District's interest.

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The Board approves policies that govern District operations. For clarity, a list of definitions for terms commonly referenced throughout District policy is provided on the District’s policy website. This list of definitions were reviewed and approved by the Board as a part of the entire policy package. The definition of Superintendent, as noted on the website, is provided below.

The chief executive officer of the School District. In policy, capitalization of Superintendent implies delegation of responsibilities to appropriate staff members.

In line with the language included as a part of this definition, the Superintendent delegated responsibilities to sign contracts on behalf of the District to appropriate staff members, including the Deputy Superintendent. Based on the guidance provided in this finding, a recommendation will be presented to the Board to modify language included in current policy to replace the word “Superintendent” with the words “Superintendent and assistants functioning under the Superintendent’s direction.” Although, we believe that the above referenced definition served this purpose, we do agree that modifying policy to clearly identify all parties entitled to serve as contracting agents on behalf of the board would eliminate any ambiguity.

We are thankful that this finding did not note any illegal actions on the part of the School Board, Superintendent or any district employee. In an effort to promote greater transparency, we will work expeditiously to implement the recommendations provided.

Finding 6

District management will continue to process payments in accordance with Leon County School Board Policy 6470 which requires:

Payments for supplies, equipment, and services will be made on invoices submitted by the vendors. Invoices will be checked and compared with receiving reports for accuracy in billing. The originator of the purchase order shall verify that acceptable goods were received or satisfactory services were rendered and the date of receipt.

The isolated instances outlined in the finding were due to human error and oversight. In response to this finding, documentation requirements for all payments including payments for contracted services have been reviewed with appropriate IT and Maintenance Department personnel. Emphasis was placed on the need to maintain all supporting documentation including hourly rates, related service times, time records including sign-in and sign-out logs and satisfactory receipt of contractual services. All staff authorized to process contracted services payments will continue to review all supporting documentation prior to processing payment in an effort to ensure that all necessary support is attached and evidence of receipt of contractual services is adequately documented.

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Finding 7

District finance staff has implemented numerous corrective measures to help ensure that ad valorem tax levy (1.5 mill) proceeds are appropriately spent. The Finance Director has communicated to the Maintenance and Facilities Departments via email and phone conversations several times throughout fiscal year 2016 about the rules for appropriate use of 1.5 mill proceeds. The Finance Director has educated staff on the proper use of 1.5 mill funds so when invoices are processed at the District level to be paid from 1.5 mill revenues, they are examined for compliance with Section 1011.71, Florida Statutes. Finance Department staff is also examining requisitions to identify improper anticipated use of these funds so the actual improper expenditure can be averted by notifying the manager of the problem. During fiscal year 2017 the Finance Director will email appropriate personnel once per month to remind them of the proper use of 1.5 mill proceeds.

Finding 8

The District has enhanced procedures related to Tangible Personal Property (TPP). The enhanced procedures include updating the Property Management Procedures Manual and identifying an Inventory Control Designee (ICD) for each district cost center with primary responsibility for conducting and coordinating inventory. Districtwide training for all ICDs was conducted and included an update on current inventory practices, established timeframes and reporting requirements for lost, transferred or stolen items. Additional efforts include the hiring of temporary staff to assist with districtwide inventory responsibilities and the updating of the District's official inventory record to increase the accuracy of overall TPP records.

Finding 9

The District has made appropriate adjustments and instituted new procedures for vehicle mileage reporting. These procedures require vehicle usage logs to be maintained, reviewed and approved on a monthly basis.

Further, a vehicle assignment list including all employees authorized to drive Board-owned vehicles to and from work is submitted for approval on an annual basis to the Leon County School Board. Employees on this approved list are subject to the IRS regulations regarding reporting of the personal use of Board-owned vehicles as taxable income in accordance with Federal requirements.

The District has designated a staff member in our Finance Department who has the primary responsibility for accepting and reviewing each department's Monthly Vehicle Mileage Report.

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