

**STATE OF FLORIDA AUDITOR GENERAL**

**Operational Audit**

Report No. 2019-205  
April 2019

**MANATEE COUNTY  
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA  
Auditor General

## Board Members and Superintendent

During the 2017-18 fiscal year, Mrs. Cynthia Saunders served as Interim Superintendent of the Manatee County Schools from 6-28-18, Dr. Diana Greene served as Superintendent before that date, and the following individuals served as School Board Members:

	<u>District No.</u>
Gina Messenger, Vice Chair from 11-28-17	1
Charlie Kennedy, Chair through 11-27-17	2
Dave "Watchdog" Miner	3
Dr. Scott L. Hopes from 7-21-17, <sup>a</sup> Chair from 11-28-17	4
John A. Colon, Vice Chair through 11-27-17	5

<sup>a</sup> Board member position vacant through 7-20-17.

The team leader was Janet N. Case, CPA, and the audit was supervised by Rachel P. Sellers, CPA.

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

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# MANATEE COUNTY DISTRICT SCHOOL BOARD

## ***SUMMARY***

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This operational audit of the Manatee County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2017-092 and management letter comments in the 2016-17 financial audit report. Our operational audit disclosed the following:

**Finding 1:** District procedures for procuring the enterprise resource planning system and related services were not effective to ensure the timely and successful implementation of the system.

**Finding 2:** District controls over monitoring contractual service agreements and related payments could be enhanced. A similar finding was noted in our report No. 2017-092.

**Finding 3:** The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs.

**Finding 4:** Contrary to State law, the District's grandfathered salary schedules for instructional personnel for the 2014-15 through 2017-18 fiscal years did not base compensation, in part, upon employee performance.

**Finding 5:** District records did not document verification that the 250 charter school teachers who received Florida Best and Brightest Teacher Scholarship awards totaling \$396,800 during the 2017-18 fiscal year were eligible for those awards. In addition, the District disbursed scholarship awards totaling \$54,800 to 41 District-employed recipients who were ineligible for the awards. A similar finding was noted in our report No. 2017-092.

**Finding 6:** Required background screenings were not always performed for contractor workers.

**Finding 7:** Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

**Finding 8:** The District did not timely remove the IT access privileges of some former employees.

## ***BACKGROUND***

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The Manatee 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 Manatee County. The governing body of the District is the Manatee County District School Board (Board), which is composed of five elected members. The appointed Superintendent of Schools is the Executive Officer of the Board. During the 2017-18 fiscal year, the District operated 54 elementary, middle, high, and specialized schools; sponsored 12 charter schools; and reported 48,454 unweighted full-time equivalent students.

## ***FINDINGS AND RECOMMENDATIONS***

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### **Finding 1: Enterprise Resource Planning System**

State Board of Education rules<sup>1</sup> and Board policies<sup>2</sup> provide that the District may acquire information technology (IT) systems, such as an enterprise resource planning system (ERP system) and related services, through the competitive solicitation process or by direct negotiation and contract with a provider as best fits the District's needs. To help the Board determine District IT needs and ensure that the needs are met, it is important to thoroughly vet potential needs by considering anticipated ERP system and related service costs in relation to the benefits of the services to specific user needs. After such determinations have been made and all considerations documented, Board action should be taken to establish whether the acquisitions will be made by a competitive solicitation or direct negotiation process as best fits the District's needs.

- Effective competitive selection procedures serve to increase public confidence in the procurement process. When competitively selecting service providers, easily understood instructions containing clearly defined scoring criteria should be provided to and used by personnel in evaluating, scoring, and ranking respondents to the requests for quotes (RFQs) and selecting the most qualified respondent with the lowest quote. To promote transparency and appropriately communicate the process to the public, it is also important for records to be maintained to document the basis for respondent evaluations, scores, rankings, and selections.
- Direct negotiations with providers can be an effective process for procurements when provider qualification and experience information is obtained and evaluated using a carefully considered and formulated negotiation plan. The negotiation plan should be developed before direct negotiations begin and establish the structure, format, and price benchmarks, along with other benchmarks for contract deliverables, such as the service time frames and related service types, based on documented considerations of the quality and prices of similar services acquired by similar entities. A well-defined negotiation plan strengthens an entity's bargaining position and helps ensure the best value for money.

Regardless of the acquisition method, documentation of Board actions must be maintained because the Board is the contracting agent for the District pursuant to State law,<sup>3</sup> and State law<sup>4</sup> requires that records set forth clearly all actions and proceedings of the Board.

Appropriately written ERP system service contracts establish the scope of work, deliverables and related delivery dates, and penalties for violating contract provisions such as specified delivery dates. Given the extensive complexities of ERP systems and related services, it is essential for contracts to establish reasonable and useful timelines for testing the system, before the system is fully implemented, to disclose unanticipated problems and to verify that the system will function as intended. Appropriate back-up processes should also be planned to ensure the continuity of services that rely on the system should the system not function as intended during testing.

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<sup>1</sup> SBE Rule 6A-1.012(14), Florida Administrative Code (FAC).

<sup>2</sup> Board Policy 6320 *Purchasing and Contracting for Goods and Services*.

<sup>3</sup> Section 1001.41(4), Florida Statutes.

<sup>4</sup> Section 1001.42(1), Florida Statutes.

Board policies<sup>5</sup> require the Superintendent to develop and implement a District Technology Plan (DTP) that includes proper procedures for IT acquisitions, including ERP systems. According to the District DTP, District-developed procedures and standards for IT acquisitions are to be reviewed each year. However, although we requested, the District did not provide established procedures and standards for IT acquisitions. Absent documented procedures and standards regarding IT acquisitions, there is an increased risk that the Board may acquire IT systems that are not at the lowest price consistent with desired quality.

District records indicated that, in accordance with SBE rules,<sup>6</sup> the Board acquired perpetual licenses for an ERP system product in March 2016 from a provider based on licenses acquired by another governmental agency using a competitive selection process. The Board also contracted with an ERP System Integrator to implement the ERP system and contracted with a vendor for administration and maintenance of the ERP system. The ERP System Integrator contract indicated that the District would monitor progress of the project and resolve issues as necessary, and the Board entered a separate contract with an internal audit contractor to help monitor the progress of the project. Our examination of District records and discussions with District personnel disclosed that District controls over the ERP System Integrator contracting and related service monitoring processes could be enhanced. Specifically, our examination disclosed that:

- In January 2016, the District issued an RFQ to qualifying integrators included in the State of Florida IT Consulting contract and established an evaluation committee to select an ERP System Integrator. Specifically:
  - The District established the IT Consulting Services Evaluation Committee (Integrator Services Evaluation Committee) composed of five members including the Chief Information Officer, Chief Operations Officer, and three members of Planning and Performance Management: the Project Manager, Communication Specialist, and Systems Analyst.
  - The District notified 47 integrators and received 3 responses. The Integrator Services Evaluation Committee members evaluated the three respondents based on the five criteria listed in Table 1.
  - Based on the established criteria and weightings assigned to those criteria, the highest-ranked respondent received a total score of 94 and the second and third ranked respondents received scores of 63 and 35, respectively.

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<sup>5</sup> Board Policy 7540 - *Computer Technology and Networks*.

<sup>6</sup> SBE Rule 6A-1.012(6), FAC, provides that, in lieu of requesting competitive solicitations from three or more sources, the District make purchases at or below the specified prices from contracts awarded by another governmental entity, such as governmental agencies of any state, when the proposer awarded the contract by the other governmental entity permits District purchases at the same terms, conditions, and prices (or below such prices) awarded in the contract, and the purchases are to the District's economic advantage.

**Table 1  
Integrator Services Evaluation Criteria and Scores**

Criteria	Maximum Weighted Score	Respondent A Score	Respondent B Score	Respondent C Score
Software Implementation	20	20	8	15
Sector Experience	20	20	-	15
Implementation Management Services	20	15	7	10
Implementation Support Services	20	17	5	6
Cost	25	22	15	17
<b>Total Points</b>	<b><u>105</u></b>	<b><u>94</u></b>	<b><u>35</u></b>	<b><u>63</u></b>
<b>Total Proposed Cost</b>		<b><u>\$9,733,210</u></b>	<b><u>\$5,669,040</u></b>	<b><u>\$8,415,437</u></b>

Source: District records.

- Although the criteria descriptions invoked responses from the respondents, District records did not evidence how the Integrator Services Evaluation Committee members were instructed to score the respondents for each criterion nor did District records always support the basis for the member-assigned scores. According to the Integrator Services Evaluation Committee meeting minutes, implementation experience was a concern for Respondents B and C, while the overall cost for Respondent A was a concern; notwithstanding, District records did not always adequately explain the scoring differences. For example, as shown in Table 1, although Respondent A's cost of \$9.7 million was higher than Respondent C's cost of \$8.4 million, for the Cost criterion, the Committee assigned a score of 22 for Respondent A, which was more favorable than the score of 17 assigned to Respondent C and District records did not explain the apparent discrepancy. Absent the establishment of clear instructions for how to score the criteria and evaluate respondents and documentation to support the scores assigned, there is an increased risk of improper rankings, increased costs, and substandard services.
- To replace the District IT applications that supported human resource, payroll, procurement, finance and accounting, and budgeting modules, in March 2016 the Board entered into a \$7 million contract with Respondent A, which excluded the \$2.7 million cost for the 5-year hosting and maintenance costs specified in the RFQ and allowed the District flexibility to choose alternative hosting providers later. The contract required the selected ERP System Integrator to implement the ERP system based on a configured clone of another school district's system. However, the RFQ solicitation did not specify that the system should clone another school district's system. In response to our inquiry, District personnel indicated that they deviated from the RFQ specifications based on recommendations from the internal audit contractor. Notwithstanding, absent adherence to the specifications outlined in the RFQ or public explanation for deviating from the RFQ specifications, respondents to the RFQ did not have the same opportunity to propose how they could meet District expectations and the usefulness of the competitive selection process was diminished.
- After execution of the ERP System Integrator contract and during the discovery phase, the District ERP Project Staff and Integrator determined that the other school district's clone did not meet all the functionality requirements desired by the District. The District then performed an analysis on all modules in the ERP system to determine the additional business and technical requirements needed. As a result, the Board approved six change orders, as shown in Table 2.

**Table 2**  
**ERP System Integrator Contract and Change Orders**  
**March 2016 Through June 2018**

	Date Board Approved	Amount	Accumulated Contract Total	ERP Scheduled Implementation Date
Original Contract	03-28-16	\$ 7,013,201	\$ 7,013,201	03-01-17
Change Order 1: To expand the finance system for internal accounts such as self-service integration, travel and expense management, mobile inventory management, general ledger, eProcurement, and training.	12-13-16	4,100,000	11,113,201	02-01-18
Change Order 2: To add applications for the Manatee Technical College (MTC), including campus community, admissions, academic advising, and student records.	12-13-16	3,400,000	14,513,201	02-01-18
Change Order 3: To create an interface between the ERP system and the human resource management systems for required Florida Department of Education (FDOE) reporting.	07-25-17	844,399	15,357,600	02-01-18
Change Order 4: To add a part-time organization change management specialist to assist with the process and system changes associated with the implementation at MTC (amount includes \$122,400 for professional services and \$12,960 for expenses).	08-08-17	135,360	15,492,960	02-01-18
Change Order 5: To extend the project go-live date from February 1, 2018, to July 1, 2018. According to District personnel, the extensions were due to delayed decision making, delays from third party providers, and District resource constraints and complexity of data extracts and mid-year data conversions (amount includes \$3,717,045 for additional professional services and \$533,220 for expenses for Integrator Project Team travel and housing).	10-24-17	4,250,265	19,743,225	07-01-18
Change Order 6: To assist with business processes, creating training guides and developing course presentations (amount includes \$328,935 for professional services and \$37,314 for travel expenses).	04-10-18	366,549	20,109,774	07-01-18
<b>Total</b>		<b><u>\$20,109,774</u></b>		

Source: District Records.

The Board approved these change orders without evidence that other provider options were considered or documented evaluations to ensure that the change orders would result in the best product at the lowest price. Performance of the discovery phase before the contract was executed would have helped the District understand what services were necessary and better positioned the Department to negotiate costs related to those services. Absent District records evidencing these considerations, there is a lack of transparency regarding the selection process, increasing the risk of favoritism and for the District to acquire a less suitable ERP system.

During the period January 2018 through July 2018, either the Chief Information Officer or the Director of ERP Business Systems prepared monthly assessment reports, which were reviewed by an internal audit contractor, and the reports were provided to update the Board on the status of the ERP system implementation. These assessment reports indicated that various modules, including the general ledger, accounts receivable, accounts payable and

purchasing - eProcurement modules, were on target for budget, quality, and schedule. Notwithstanding, all modules were not fully functioning on the July 1, 2018, go-live date. According to District personnel, as of August 2018, the general ledger module could not generate reports, the payroll module processed payrolls that contained multiple errors requiring manual corrections, the accounts payable module could not print checks, and the purchasing card and accounts receivable modules were encountering functionality problems.

Although contract provisions established system installation and related service schedules, the schedules for fully implementing the system did not prove reasonable and useful based on District experience. The Board approved additional change orders based on a new scope of work and related delivery dates; however, there were no penalties established in the contract or change orders for not adhering to those dates. Contract-established financial penalties the District could assess to the ERP System Integrator for project delays, would provide the Department some legal remedies.

The District determined that, after executing the ERP System Integrator contract, the consulting services related to the contract did not address all the ERP System administration and maintenance needs for the District. In July 2016, with the goal of training District personnel to fill the role of ERP System Services Administrator (Administrator),<sup>7</sup> the District sought to contract with a different vendor for administration and maintenance services related to the ERP system. Specifically:

- According to District personnel, in July 2016 the Purchasing Director contacted a vendor about these services and personnel at another school district that used a different vendor. In September 2016, the Board directly negotiated and approved an Administrator contract with the vendor used by the other school district. The contract was for administration and support services for the ERP system and specified payments of \$200,000 annually for the 2-year period September 16, 2016, through September 15, 2018. Notwithstanding, although we requested, District records were not provided to evidence the criteria upon which the Board directly negotiated the services to demonstrate compliance with the SBE rules or that the contract with the Administrator best fit the District's needs determined by the Board.
- In April 2018, the Board approved a \$195,000 change order to increase the contract amount with the Administrator from \$400,000 to \$595,000 for administration, training, documentation, integration, and customization of the ERP software. District records indicated that, as of July 2018, the District had paid \$536,010 to the Administrator. In August 2018, the Board directly negotiated and approved a contract with the Administrator for administration and support services for the same ERP system for \$395,000 for the period of September 16, 2018, through September 15, 2019, with a renewal clause for a second 1-year period beginning September 16, 2019. As of November 2018, the Board had approved contracts totaling \$990,000 for Administrator services related to the ERP system.

According to District personnel, as of January 2019, the District did not have staff with the technical proficiency to perform the ERP software-specific program writing function that the Administrator provided. District personnel further indicated that the Administrator not only maintained the software but also had to modify the software on a continuous basis to ensure functionality, enable communications with other district software components, facilitate new FDOE reporting requirements, and support future ERP system module implementation enhancements. Notwithstanding, although we requested, District records were not provided to document the Board's determination of District needs and how the Administrator could meet those needs.

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<sup>7</sup> The ERP System Services Administrator responsibilities included providing technical and functional support services and application development services.



In response to our inquiries, District personnel indicated that SBE rules did not require administration and maintenance services be competitively procured. While we agree that alternatives to the competitive procurement process include direct negotiations, SBE rules require such negotiations be accompanied by Board-documented determinations of District needs and how contractors should meet those needs. Considerations of projected software costs in relation to District needs for a fully implemented system would increase government transparency regarding the procurement process and reduce the risk of unnecessary and excessive system support costs.

District personnel provided records of the former ERP system backup to demonstrate that the District planned appropriate back-up processes should the new ERP system not function as expected. However, District personnel indicated that, on June 15, 2018, the former system ceased receiving updated information in preparation of the conversion to the new ERP system. Consequently, on July 1, 2018, when the new ERP system went live, the District did not have a functioning back-up to ensure the continuity of services when the new ERP system did not function as expected. In response to our inquiries, District personnel indicated that the former system continues to remain operational, but not currently active, and serves as historical data for the District. Absent an appropriate back-up system, when District ERP system modules did not function as intended, District operations were disrupted.

**Recommendation: To demonstrate compliance with SBE rules and Board policies, the Superintendent should establish effective procedures to ensure IT services are procured at the lowest price consistent with desired quality in accordance with the District Technology Plan. Such procedures should require and ensure that:**

- **District needs are thoroughly defined, vetted, and understood by the Board before RFQs are solicited from potential respondents or the Board directly negotiates IT service provider contracts.**
- **When the Board decides to competitively select IT service providers:**
  - **Instructions are provided to District personnel responsible for evaluating respondents to clearly explain the scoring criteria and how to evaluate each respondent based on the criteria. In addition, District records should demonstrate that the instructions are employed during the selection process for each respondent or evidence the basis for excluding respondents from the process.**
  - **The District publicly document justification for IT service provider contracts that contain provisions that deviate from the specifications included in RFQs and how the deviation did not compromise the competitive selection process.**
- **When the Board decides to directly negotiate with IT service providers, the District should adopt a carefully considered and formulated negotiation plan as the basis for negotiating and developing IT service provider contracts. The plan should establish the structure, format, and price benchmarks, along with other benchmarks for contract deliverables, such as the service time frames and related service types, based on documented considerations of the quality and prices of similar services acquired by similar entities.**
- **District needs are sufficiently identified and addressed in IT service provider contracts, to diminish the need for significant change orders.**
- **IT service provider contracts establish a reasonable and useful schedule for testing deliverables and include financial penalties the District can assess when deliverables are not satisfactorily or timely received.**

- **Appropriate back-up processes are provided for should the IT system not function as expected.**

## **Finding 2: Contract Management**

Effective contract management ensures that contract provisions establish required services and related service times and compensation for contracted services and that services are satisfactorily received before payment. The Board routinely enters into contracts for services, and internal controls have been designed and implemented that generally ensure payments are consistent with contract terms and conditions.

For the period July 1, 2017, through March 9, 2018, the District paid a total of \$19.4 million for contractual services. To determine the propriety of the payments, we examined District records supporting 46 selected payments totaling \$4.5 million related to 46 contracts. We found that Board policies and District procedures for monitoring payments to service providers were not consistently followed. Specifically, we found that payments for school resource officer (SRO) services, security system services, and boiler services were made absent sufficient documentation that the services were satisfactorily received or absent verification that the amounts billed agreed with the bid and contract amounts. We expanded our audit procedures to evaluate District records supporting these services and related payments for the entire 2017-18 fiscal year and found that:

- Pursuant to State law,<sup>8</sup> the Board entered into contracts totaling \$1.8 million for the 2017-18 fiscal year with the Manatee County Sheriff's Office and three city police departments for 58 SROs at 49 District schools. The contracts identified the SROs' daily work locations and the hours that the schools are in regular session and specified that SRO workdays would correspond with the teacher regular workday. The District paid the contract amounts for the services based on invoices from the Sheriff's Office and city police departments. However, the District did ensure that school personnel with direct knowledge of the SRO services confirmed satisfactory receipt of the services prior to payment.

In response to our inquiries, District personnel indicated that the SROs are not required to sign in at the schools, or otherwise have their presence documented, and the District relied on the Sheriff's Office and city police departments to maintain time records to demonstrate the SRO work efforts. Notwithstanding, District reliance on the Sheriff's Office and police department procedures provide limited assurance that SRO services were received as expected.

- The Board competitively selected a bid from a company for security systems installation and related parts and services at Bayshore High School the parts costs were to be based on material discounts of 12 to 47 percent off the manufacturer's suggested retail prices. The Board contracted with and paid the company \$419,855 for the goods and services, including 420 labor hours for installation services. The invoice supporting that payment identified the labor hours and labor rate but identified the net prices for parts rather than the retail price and applicable discount rates. The invoice documented that District personnel with direct knowledge of the services confirmed satisfactory receipt of the services; however, because the records only evidenced net prices paid for each part and accessory, District personnel did not reconcile the material retail prices and any discounts applied to the bid and contract terms.

In response to our inquiries, the District personnel indicated that the Maintenance and Operations Department had established procedures to reconcile invoice information to applicable bids.

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<sup>8</sup> Section 1006.12, Florida Statutes.

However, because of the Department workload, pricing details were not documented, and the procedures were not performed for the security systems purchase.

- The Board competitively selected a bid from a company for two new boilers at Bayshore High School based on labor rates of \$50 to \$97.50 per hour and materials to be billed at cost plus a 25 percent markup. The Board contracted with and paid the company \$145,000, including \$130,240 for materials and \$14,760 for labor. Notwithstanding, the invoice did not specify the number of hours charged for labor, the labor rate charged, or the cost of materials before any markup. The invoice documented that District personnel with direct knowledge of the service confirmed satisfactory receipt of the services. However, because District records lacked detailed labor information and only evidenced the net price paid for services, District personnel were unable to document, of record, that the labor hours charged were reasonable and charged at the appropriate rates or that the materials billed were priced appropriately based on the applicable bid and related contract terms.

In response to our inquiries, District personnel indicated that, as similarly noted for the security systems purchase, District personnel overlooked reconciling the boiler service invoice to the applicable bid and contract.

When established contract monitoring procedures are not consistently adhered to, the risk that overpayments may occur or that the services provided may not be consistent with Board expectations is increased. Similar findings were noted in our report Nos. 2017-092 and 2014-079.

**Recommendation:** The District should ensure that, for all contracts for services, including SRO services, confirmation of the satisfactory receipt of services in accordance with the contract terms is documented prior to payment for the services. Additionally, the District should ensure that invoice amounts, including appropriate discounts and markups, are reconciled to applicable bids and contract terms and that documented determinations are maintained to demonstrate the reasonableness of labor hours charged.

### **Finding 3: General Conditions Costs**

A 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. GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing. Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For contracts that include general conditions costs, appropriate policies and procedures include, for example:

- Comparing proposed general conditions costs to those of similar projects, including similar projects at other school districts.
- Negotiating with the CME to determine a reasonable amount for total budgeted general conditions costs.
- Verifying that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME-paid invoices and comply with the CME GMP contract.

The CME GMP contracts and subsequent GMP authorizations for the MHS and JW Projects included provisions for general conditions costs totaling \$439,492 and \$688,470, respectively, for the period

July 18, 2017, through February 13, 2018, and CME pay requests referenced these costs as they were incurred. District personnel indicated that they evaluated the reasonableness of general conditions costs by reviewing the project schedule, complexity, site, and other project-specific conditions to determine the appropriate staffing and jobsite requirements identified in the design phase. However, our discussions with District personnel disclosed that the District did not always effectively negotiate, monitor, and document the reasonableness of general conditions costs and District records did not evidence the methodology used and factors considered during the negotiation process to establish the reasonableness of the general conditions costs. In addition, detailed documentation, such as CME payroll records or copies of CME-paid invoices, was not always obtained by the District to support the propriety of the general conditions costs billed and paid.

To determine the reasonableness and propriety of MHS and JW Project general conditions costs included in the CME pay requests, we requested for examination District records supporting selected costs totaling \$39,892 for the MHS project and \$63,576 for the JW Project. However, because the CME did not always submit documentation to the District to support general conditions costs, CME payroll costs and data processing costs totaling \$77,988 were unsupported. While, subsequent to our request, District personnel obtained documentation from the CME to support these costs, our procedures do not substitute for management's responsibility to implement adequate controls to monitor general conditions costs.

Absent effective policies and procedures, the District may be limited in its ability to monitor the reasonableness of general conditions costs, to determine the propriety of pay requests for general conditions costs, and to realize the cost savings associated with general conditions costs in GMP contracts.

**Recommendation: The District should enhance policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating general conditions costs, and the receipt and review of sufficiently detailed documentation supporting the general conditions costs included in CME pay requests.**

#### **Finding 4: Instructional Personnel Grandfathered Salary Schedules**

State law<sup>9</sup> requires the Board to adopt a grandfathered salary schedule for instructional personnel hired before July 1, 2014, that bases a portion of each employee's compensation upon performance demonstrated under State law.<sup>10</sup> The District's Teacher Bargaining Unit agreement for the 2017-18 through 2019-20 fiscal years states that teachers hired prior to July 1, 2009, shall be placed on the grandfathered salary schedule and all teachers whose start date is on or after July 1, 2009, will be placed on the appropriate step on the performance pay salary schedule. Pursuant to State law, teachers on the grandfathered salary schedule may opt to move to the performance pay salary schedule but must relinquish their professional services contracts and be on annual contract status.

The Board adopted grandfathered salary schedules for each of the 2014-15 through 2017-18 fiscal years and approved instructional personnel bargaining agreements for personnel compensated based on the

<sup>9</sup> Section 1012.22(1)(c)4.b., Florida Statutes.

<sup>10</sup> Section 1012.34, Florida Statutes.

grandfathered salary schedules. The grandfathered salary schedules and bargaining agreements set forth instructional personnel compensation based on instructional personnel experience and educational backgrounds; however, neither the grandfathered salary schedules nor the bargaining agreements based instructional personnel compensation, in part, on employee performance.

Table 3 shows the number of instructional personnel compensated based on the grandfathered salary schedules and total compensation of those employees.

**Table 3**  
**Number of Instructional Personnel and Related Compensation**  
**For the 2014-15 Through 2017-18 Fiscal Years**

Source	2014-15	2015-16	2016-17	2017-18
Number of Instructional Personnel Compensated Based on the Grandfathered Salary Schedule	2,327	2,188	1,949	1,792
Total Instructional Personnel Compensation Based on the Grandfathered Salary Schedule (in Millions)	\$115	\$110	\$97	\$91

Source: District records.

In response to our inquiry, District personnel indicated that union negotiations were not resolved to include performance measures in the grandfathered salary schedules in the final union contract. Notwithstanding this response, State law does not provide an exemption that allows grandfathered salary schedules to exclude consideration of employee performance.

**Recommendation:** The Board should comply with State law by adopting grandfathered salary schedules for instructional personnel that base compensation, in part, upon performance demonstrated under State law.

### Finding 5: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program<sup>11</sup> to reward classroom teachers<sup>12</sup> who achieved high academic standards during their own education. Classroom teachers eligible for a \$6,000 scholarship award are those who scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law<sup>13</sup> in the school year immediately preceding the year in which the scholarship will be awarded or, if the teacher is a first-year teacher who has not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance examination based on the national percentile ranks in effect when the teacher took the assessment. In addition, State law provides for a \$1,200 or \$800 scholarship for a classroom teacher who was evaluated as highly effective or effective, respectively, pursuant to State

<sup>11</sup> Section 1012.731, Florida Statutes.

<sup>12</sup> Section 1012.01(2), Florida Statutes, defines classroom teachers as K-12 staff members assigned the professional activity of instructing students in courses in classroom situations, including basic instruction, exceptional student education, career education, and adult education, including substitute teachers.

<sup>13</sup> Section 1012.34, Florida Statutes. Section 1012.34(3)(a), Florida Statutes, requires the evaluation to include consideration of student performance.

law in the school year immediately preceding the year in which the scholarship will be awarded. Pursuant to State law,<sup>14</sup> once a classroom teacher is deemed eligible for this award by the District, the teacher shall remain eligible as long as he or she remains employed by the District as a classroom teacher at the time of the award and receives an annual performance evaluation rating of highly effective.

District personnel are responsible for determining teacher eligibility for scholarship awards and annually submitting the number of eligible teachers to the FDOE. The FDOE then disburses scholarship funds to the District for each eligible classroom teacher to receive a scholarship as provided in State law. To demonstrate eligibility for a \$6,000 scholarship, District-employed teachers are required to submit to the District an official record of his or her college entrance examination score demonstrating that the teacher scored at or above the 80th percentile based on the national percentile ranks in effect when the teacher took the assessment. District personnel determine whether District-employed teachers were evaluated as highly effective based on prior school year performance assessments.

According to District personnel, charter schools are required to submit to the District a list of teacher names determined to be eligible for the scholarships. However, the District had not established procedures to verify that scholarships were only awarded to eligible charter school classroom teachers.

During the 2017-18 fiscal year, the District awarded scholarships totaling \$3.1 million to 2,327 District-employed teachers and scholarships totaling \$396,800 to 250 charter school teachers. To determine whether the recipients met the eligibility requirements for the scholarships, we requested for examination District records supporting the eligibility of 57 scholarship recipients (30 District-employed teachers and 27 charter school teachers) who were awarded a total of \$271,600. We found that:

- 1 District-employed prekindergarten teacher who did not meet the statutory definition of a classroom teacher received a \$1,200 scholarship. Pursuant to State law,<sup>15</sup> prekindergarten students include children who are not yet ready for kindergarten and the scholarship is limited to classroom teachers who, according to State law, are certain K-12 personnel. In addition, the term "Prekindergarten Instructor" is defined separately in State law.<sup>16</sup>

We expanded our audit procedures to evaluate 72 additional District-employed recipients<sup>17</sup> who received awards totaling \$82,400 and identified 40 other recipients awarded a total of \$53,600 who were also non-classroom teachers such as prekindergarten teachers, reading interventionists, and reading coaches. In response to our inquiry, District personnel indicated that these scholarship errors occurred because they misunderstood the statutory classroom teacher definition.

- Based on documentation obtained by the District from the charter schools subsequent to our request, 22 charter school scholarship recipients, who received awards totaling \$146,000, scored at or above the 80th percentile on college entrance examinations and were evaluated as highly effective based, in part, on student performance for the 2016-17 fiscal year. However, our procedures cannot substitute for the District's responsibility to establish adequate monitoring

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<sup>14</sup> Section 1012.731(3)(b), Florida Statutes.

<sup>15</sup> Section 1002.53(2), Florida Statutes, provides that each child who resides in Florida who will have attained the age of 4 years on or before September 1 of the school year is eligible for the Voluntary Prekindergarten Education Program and remains eligible until the child is admitted to kindergarten, or unless he or she will have attained the age of 6 years by February 1 of any school year.

<sup>16</sup> Section 1002.51(6), Florida Statutes, defines prekindergarten instructors to include teachers who provide instruction to students in a prekindergarten program.

<sup>17</sup> The 72 recipients included other instructional employees and the remaining prekindergarten teachers.



controls over scholarship recipient eligibility. Regarding the other 5 charter school scholarship recipients:

- The District was unable to obtain and provide records to support the eligibility determinations for 3 charter school recipients who each received \$7,200.
- Another charter school recipient of a \$7,200 award was, based on records obtained by the District from the charter school, awarded the scholarship based on the local percentile rank, which was 110 points below the required 80th national percentile ranks in effect when the teacher took the college entrance examination.
- According to records obtained by District personnel from the charter school, the eligibility of a charter school recipient of a \$6,000 award was based on an evaluation from 2014-15 fiscal year because the recipient had not been employed at the charter school during the 2015-16 and 2016-17 fiscal years. However, as the charter school recipient was not a first-year teacher, the basis for the award is required to be both the college entrance examination score and an evaluation in the school year immediately preceding the year in which the scholarship will be awarded.

Absent effective procedures to verify that scholarships are limited to District-employed and charter school classroom teachers, as defined in State law, with qualifying college entrance examination scores and highly effective or effective evaluations from the prior school year based, in part, on student performance, there is an increased risk that scholarships will be awarded to ineligible recipients. A similar finding was noted in our report No. 2017-092.

**Recommendation: The District should enhance procedures to ensure that scholarships are awarded only to recipients who meet the statutory definition of a classroom teacher, have qualifying college entrance examination scores reported on reliable and authentic records, and who were evaluated as highly effective or effective during the immediately preceding prior school year based, in part, on student performance. Such procedures should include documented verifications of the eligibility of charter school scholarship recipients. In addition, the District should document the eligibility of the 46 employees who received scholarship awards totaling \$89,600 or refund the FDOE for the awards and take appropriate actions to recover from those recipients the improper payments.**

## **Finding 6: Background Screenings**

State law<sup>18</sup> requires each person hired or contracted to serve in an instructional or noninstructional capacity who is permitted access on school grounds when students are present or who has direct contact with students to undergo level 2 background screenings<sup>19</sup> at least once every 5 years. State law<sup>20</sup> also provides that noninstructional contractors may be exempt from the background screening requirements if the contractors are under the direct supervision of a school district employee or contractor who has had a criminal history check and meets the statutory screening requirements. To promote compliance with the statutory background screening requirements, District departments that contract for services with workers who have access to school grounds must notify the District Human Resource (HR) Department about the contractor workers. The HR Department is responsible for ensuring that these contractor

<sup>18</sup> Sections 1012.32(2), 1012.465, 1012.467, and 1012.56(10) Florida Statutes.

<sup>19</sup> A level 2 background screening includes fingerprinting for Statewide criminal history records checks through the FDLE and national criminal history records checks through the Federal Bureau of Investigation.

<sup>20</sup> Section 1012.468, Florida Statutes.

workers undergo required background screenings every 5 years. Although the HR Department maintained separate vendor files disclosing the contractor workers' background screenings for each vendor, a comprehensive list of contractor background screenings conducted with the last 5 years was not maintained to help monitor the required background screenings.

According to District records for the period of July 1, 2017, through March 9, 2018, we determined that 381 contractors (245 consultants and 136 other contractors) with contractor workers who were not exempt from the screening requirements provided various services, such as school maintenance and student therapy services. To determine whether required background screenings had been timely obtained for the contractor workers, we requested for examination the required background screenings for the contractor workers who worked for 19 selected contractors. Twelve of the selected contractors performed noninstructional services and 7 performed instructional services. We found that District records did not evidence the required background screenings had ever been obtained for the workers for:

- 5 of the 12 contractors who performed noninstructional services. The services performed included school boiler and inspection services, school fire alarm system and gymnasium scoreboard replacements, and portable classroom remediation services. Although we requested, District records were not provided to quantify the number of contractor workers who performed services for the 5 contractors.
- 3 of the 7 contractors who performed instructional services. The services performed included speech and occupational therapy services for students. District records indicated 16 contractor workers for the 3 contractors. Subsequent to our inquiries, in August 2018 the District obtained background screenings for 9 of the 16 contractor workers and no unsuitable backgrounds were noted; however, the evidence of the screenings for 4 of the 9 contractor workers indicated that the workers had provided District services for 283 days to 317 days, or an average of 308 days, prior to obtaining the required background screenings. No additional information was obtained for the other 7 contractor workers.

In response to our inquiries, District personnel indicated the departments responsible for procuring these contractual services did not notify the HR Department to ensure the required background screenings were performed. Absent effective controls to ensure that required background screenings are timely performed, there is an increased risk that contractor workers with unsuitable backgrounds may be allowed access to students.

**Recommendation:** The District should take immediate actions to identify contractor workers who have not obtained the required background screenings, ensure that the screenings are promptly obtained and evaluated, and make decisions, as necessary, based on evaluations of the screenings. To help monitor and ensure that required background screenings of contractor workers are conducted at least once every 5 years, the District should maintain a comprehensive list of the workers subject to the screenings.

#### **Finding 7: Information Technology User Access Privileges**

The Legislature has recognized in State law<sup>21</sup> that social security numbers (SSNs) can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in

<sup>21</sup> Section 119.071(5)(a), Florida Statutes.



maintaining the confidential status of such information. Effective controls restrict individuals from accessing information unnecessary for their assigned job responsibilities and provide for documented, periodic evaluations of information technology (IT) user access privileges to help prevent individuals from accessing sensitive personal information inconsistent with their responsibilities.

Pursuant to State law,<sup>22</sup> the District identified each student using a Florida education identification number assigned by the FDOE. However, student SSNs are included in the student records maintained within the District management information system (MIS). Student SSNs are maintained in the District MIS to, for example, register newly enrolled students and transmit that information to the FDOE through a secure-file procedure and to provide student transcripts to colleges, universities, and potential employers based on student-authorized requests. Board policies<sup>23</sup> allow designated District school personnel access to student records to perform administrative, supervisory, or instructional responsibilities that serve a legitimate educational purpose in accordance with the applicable requirements State law, State Board of Education rules, and Federal laws. Notwithstanding, as of March 2018, District personnel indicated that periodic evaluations of IT user access privileges to student personal information had not been performed to help monitor these privileges.

District personnel indicated that employees are granted IT user access privileges to sensitive personal information of current students for a cost center and have access to prior years students' sensitive personal information, including student graduates' information until the student turns 23 years old when the information is relocated so that only system administrators have access. District personnel also indicated that, although the District MIS had a mechanism to differentiate IT user access privileges to current student information from access privileges to former student information, the District did not use the mechanism and employees who needed access to current or former student information did not always need access to both.

As of March 2018, the District MIS contained sensitive personal information for 28,656 current and 133,523 former District students. In total, 231 District employees had continuous IT user access privileges to the sensitive personal information of students. We examined District records supporting the access privileges of 28 selected employees and evaluated the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities. We found that 16 employees, such as a full-time enrollment specialist, assessment specialist, assessment manager, and supervisor of student demographics, needed access daily for their job assignments. However, we also noted that 12 employees, including teachers, paraprofessionals, and administrators, did not have a demonstrated need for continuous access to the sensitive personal information of both current and former students. Subsequent to our inquiry, in July 2018 the District completed a documented evaluation of IT user access privileges and removed access privileges to the sensitive personal information of students for 82 employees, including the 12 employees identified by our procedures who did not have a demonstrated need for continuous access.

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<sup>22</sup> Section 1008.386, Florida Statutes.

<sup>23</sup> Board Policy 8350, Confidentiality.

The existence of unnecessary IT user access privileges increases the risk of unauthorized disclosure of sensitive personal information and the possibility that such information may be used to commit a fraud against District students and others.

**Recommendation:** The District should continue efforts to ensure that only those employees with a demonstrated need to access the sensitive personal information of students have such access. Such efforts should include:

- Documented, periodic evaluations of IT user access privileges to determine whether such privileges are necessary and ensure the timely removal of any inappropriate or unnecessary access privileges detected. If an individual only requires occasional access to students' sensitive personal information, the privileges should be granted only for the time needed.
- Use of the District MIS mechanism to differentiate access to the information of current and former students for employees who need access to either current or former student information but not both.

### **Finding 8: Timely Deactivation of User Access Privileges**

Effective management of IT access privileges includes the timely deactivation of employee IT access privileges when an employee is reassigned or separates from employment. Prompt action is necessary to ensure that the access privileges are not misused by former employees or others to compromise data or IT resources.

According to District personnel, the HR Department is required to notify the MIS Department to deactivate applicable District network, finance, or HR module access privileges when an employee separates from District employment. District personnel indicated that District management or employee supervisors also occasionally notify the MIS Department to perform the deactivations. To evaluate whether deactivations were timely for the 238 individuals who separated from District employment during the period July 2017 through January 2018, we examined District records supporting 30 selected employees. We found that 6 employees continued to have access 7 to 124, or an average of 41 days after separating from District employment.

In response to our inquiries, District personnel indicated that the untimely deactivations occurred because the MIS Department was not always timely notified to deactivate the privileges. Although our procedures did not identify any misuse of District resources as a result of the untimely deactivations, without prompt removal of access privileges, the risk is increased that access privileges may be misused by former employees or others.

**Recommendation:** The District should enhance HR Department notifications to the MIS Department to ensure IT access privileges are promptly deactivated upon a user's separation from employment.

## ***PRIOR AUDIT FOLLOW-UP***

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Except as noted in Findings 2 and 5 and shown in Table 4, the District had taken corrective actions for findings included in our report No. 2017-092.

**Table 4**  
**Findings Also Noted in Previous Audit Reports**

Finding	2015-16 Fiscal Year	2012-13 Fiscal Year
	Operational Audit Report No. 2017-092, Finding	Operational Audit Report No. 2014-079, Finding
2	6	17
5	4	Not Applicable

## ***OBJECTIVES, SCOPE, AND METHODOLOGY***

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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 2018 through January 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2017-092 and management letter comments in the 2016-17 financial audit report.
- 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 2017-18 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit, we:

- Reviewed the District's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined:
  - Selected access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) 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.
  - Update access privileges to selected finance and HR application functions resulting in the review of the appropriateness of access privileges granted for 38 user accounts.
- Evaluated District procedures to prohibit former employee access to electronic data files. We also reviewed selected user access privileges for 30 of the 238 employees who separated from District employment during the period July 2017 through January 2018 to determine whether the access privileges had been timely deactivated.
- Evaluated Board security policies and District procedures governing the classification, management, and protection of sensitive and confidential information.
- Determined whether a comprehensive IT disaster recovery plan was in place, designed properly, operating effectively, and had been recently tested.

- 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.
- Determined whether a comprehensive, written IT risk assessment had been developed and implemented to document District risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
- Determined whether an adequate, comprehensive IT security awareness and training program was in place.
- Evaluated District procedures and related records for acquiring the enterprise resource planning system.
- Evaluated IT procedures for requesting, testing, approving, and implementing changes to the District's business system.
- Evaluated Board policies and District procedures and examined supporting documentation to determine whether audit logging and monitoring controls were configured in accordance with IT best practices.
- Evaluated the District data center's physical access controls to determine whether vulnerabilities existed.
- Determined whether a fire suppression system had been installed in the District's data center.
- Interviewed District personnel and reviewed supporting documentation to evaluate whether the District effectively monitored charter schools.
- Evaluated District procedures for protecting the sensitive personal information of students, such as social security numbers (SSNs). Specifically, from the population of 231 employees who had access to the sensitive personal information of students, we examined the access privileges of 28 selected employees to evaluate the appropriateness and necessity of the access privileges based on the employees' assigned job responsibilities.
- Examined Board, committee, and advisory board meeting minutes to determine whether Board approval was obtained for policies and procedures in effect during the audit period, and District records for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined District records to determine whether the District had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined District records to determine whether the District had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Analyzed the District's General Fund total unassigned and assigned fund balances at April 30, 2018, to determine whether the total was less than 3 percent of the fund's projected revenues, as specified in Section 1011.051, Florida Statutes. We also performed analytical procedures for the 2 preceding fiscal years to evaluate the District's ability to make future debt service payments.
- From the population of expenditures totaling \$40.4 million and transfers totaling \$34.1 million during the period July 1, 2017, through February 26, 2018, from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted capital project funds, examined documentation supporting selected expenditures and transfers totaling \$10.8 million and \$22.9 million, respectively, to determine compliance with the restrictions imposed on the use of these resources.
- Evaluated the adequacy of Manatee Technical College controls associated with tuition and fee cash collections.

- From the population of \$5.1 million total workforce education program expenditures for the period July 2017 through February 2018, selected 30 expenditures totaling \$1.1 million and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 130,519 contact hours for 757 adult general education instructional students during Fall 2017 Semester, examined District records supporting 2,820 reported contact hours for 30 selected students to determine whether the District reported the instructional contact hours in accordance with State Board of Education (SBE) Rule 6A-10.0381, Florida Administrative Code (FAC).
- Examined the District Web site to determine whether the 2017-18 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes.
- From the population of 66 monthly bank reconciliations for July 2017 through May 2018, examined 66 reconciliations and supporting documentation to determine whether the District timely performed the reconciliations.
- Examined District records to determine whether the District established an audit committee and followed prescribed procedures to contract for audit services pursuant to Section 218.391, Florida Statutes, for the 2016-17 and 2017-18 fiscal years.
- Reviewed organizational charts, audit plans, and audit agendas for the audit period to determine whether the internal auditor reported directly to the Board or its designee as required by Section 1001.42(12)(I), Florida Statutes. We also determined whether the internal auditor developed audit work plans based on annual risk assessments considering input from other finance and administrative management.
- Examined District records to determine whether required internal funds audits for the 2015-16 and 2016-17 fiscal years were timely performed pursuant to SBE Rule 6A-1.087, FAC, and Chapter 8 – School Internal Funds, *Financial and Program Cost Accounting and Reporting for Florida Schools* (Red Book), and whether the audit reports were presented to the Board.
- From the population of 59 facility rental agreements and rental receipts totaling \$234,652, examined 2 selected rental agreements and related rental receipts totaling \$46,213, and the supporting documentation to determine whether agreements were Board approved, receipts were consistent with agreements and Board-approved fee schedules, District records evidenced appropriate insurance for the facility rentals, and rental agreements conformed to good business practice.
- Evaluated severance pay provisions in one employee contract to determine whether the severance pay provisions complied with Section 215.425(4), Florida Statutes. No employees received severance pay during the period July 1, 2017, through April 18, 2018.
- From the population of compensation payments totaling \$142 million made to 7,001 employees during the period July 1, 2017, through February 23, 2018, examined District records supporting compensation payments totaling \$581,916 to 30 selected employees to determine whether the rate of pay was accurate and supervisory personnel reviewed and approved their reports of time worked.
- Examined District records 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 in compliance with Section 1012.22(1)(c)4.b., Florida Statutes.
- From the population of 2,525 instructional personnel and 125 school administrators compensated a total of \$94 million during the period July 1, 2017, through February 23, 2018, examined supporting documentation for 30 selected employees who were compensated a total of \$989,532

to determine whether the District had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes. We also determined whether a portion of each selected instructional employee's compensation shown on the grandfathered salary schedule was based on performance and differentiated pay factors in accordance with Section 1012.22(1)(c)4., Florida Statutes.

- Examined District records for the audit period for 30 employees from the population of 6,633 employees to assess whether personnel who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records for volunteers for the period August 10, 2017, through May 14, 2018, to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes.
- Examined District records supporting the eligibility of:
  - 102 selected District recipients of the Florida Best and Brightest Teacher Scholarship Program awards from the population of 2,327 District teachers who received scholarships awards totaling \$3.1 million during the audit period.
  - 27 selected charter school recipients of the awards from the population of 250 charter school teachers who received scholarships awards totaling \$396,800 during the audit period.
- Evaluated the District's procedures to implement the Florida Best and Brightest Principal Scholarship Program pursuant to Section 1012.732, Florida Statutes. We also examined District records to determine whether the District submitted to the Florida Department of Education (FDOE) accurate information about the number of classroom teachers and the list of principals, as required by Section 1012.731(4), Florida Statutes, and whether the District timely awarded the correct amount to each eligible principal.
- To determine the propriety of District claims expense, examined the independent auditor's reports of the third-party administrator that processed District claims.
- Evaluated Board policies and District procedures to ensure health insurance was provided only to eligible employees, retirees, and dependents and that upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- From the population of 66 payments totaling \$7,707 paid to employees for other than travel and payroll payments during the period July 31, 2017, through May 8, 2018, examined documentation for 4 selected payments totaling \$3,568 to determine whether such payments were reasonable, adequately supported, for valid District purposes, and were not contrary to Section 112.313, Florida Statutes.
- Evaluated District procedures for bidding and purchasing health insurance to determine compliance with Section 112.08, Florida Statutes. We also reviewed procedures for the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- From the population of five significant construction projects with expenditures totaling \$20.1 million and in progress during the period July 1, 2017, through March 28, 2018, selected two construction management entity (CME) projects with expenditures totaling \$11.3 million during that period. For the CME contracts with guaranteed maximum prices totaling \$17.3 million related to the two selected projects, we:

- Examined District records to determine whether the construction manager was properly selected.
- Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether the District ensured subcontractors were properly selected and licensed.
- Examined District records to determine whether architects were properly selected and adequately insured.
- Determined whether the Board established appropriate policies and District procedures addressing negotiation and monitoring of general conditions costs.
- Examined District records supporting five selected payments totaling \$2.5 million to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- From the population of purchasing card (P-card) transactions totaling \$7.3 million during the period July 2017 through April 2018, examined documentation supporting 30 selected transactions totaling \$206,329 to determine whether P-cards were administered in accordance with Board policies and District procedures. We also determined whether the District timely canceled the P-cards for 15 cardholders who separated from District employment during the period July 1, 2017, through February 2, 2018.
- Reviewed the audit reports received during the audit period for the 11 District-sponsored charter schools that were required to have an audit to determine whether the audits were timely performed. We also determined whether the 2016-17 fiscal year audits of the District charter schools were performed pursuant to Chapters 10.700 and 10.850, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
- Evaluated District procedures for allocating Title I funds to ensure compliance with Section 1011.69(5), Florida Statutes. We examined District records to determine whether the District identified eligible schools, including charter schools, limited Title I allocations to eligible schools based on the threshold established by the District for the 2016-17 school year or the Statewide percentage of economically disadvantaged student, and distributed all remaining funds to all eligible schools in accordance with Federal law and regulation.
- Examined District records and evaluated District procedures to determine whether the District distributed the correct amount of local capital improvement funds to its eligible charter schools by February 1, 2018, pursuant to Section 1013.62(3), Florida Statutes.
- Determined whether non-compensation expenditures were reasonable, correctly recorded, adequately documented, for a valid District purpose, properly authorized and approved, and in compliance with applicable State laws, rules, contract terms and Board policies and applicable vendors were properly selected. Specifically, from the population of non-compensation expenditures totaling \$180 million for the period July 2017 through April 2018, we examined District records supporting 30 selected payments for general expenditures totaling \$154,832.
- From the population of 268 consultant contracts totaling \$6.6 million during the period July 1, 2017, through March 19, 2018, examined supporting documentation, including the 30 contract documents, for 30 selected payments totaling \$1.5 million to determine whether:
  - The District complied with competitive selection requirements.
  - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
  - District records documented satisfactory receipt of deliverables before payments were made.
  - The payments complied with contract provisions.



- For contractor workers who received payments and had direct contact with students, the District complied with fingerprinting and level 2 background screening requirements.
- From the population of 140 contractors during the period July 1, 2017, through March 9, 2018, that provided services for repairs and maintenance; furniture, fixtures, and equipment; and renovation and remodeling, examined 16 selected contractors with contractor workers requiring background screenings to determine whether District records evidenced that the contractor workers obtained the required background screenings.
- Determined whether the District used supplemental academic instruction and research-based reading instruction allocations to provide, to the applicable schools, pursuant to Section 1011.62(9), Florida Statutes, an additional hour of intensive reading instruction to students every day, schoolwide during the audit period. Also, we reviewed District records to determine whether the District appropriately reported to the FDOE, pursuant to Chapter 2017-234, Laws of Florida, General Appropriations Act, the funding sources, expenditures, and student outcomes for each participating school.
- Evaluated the financial records of the District self-insured health insurance program for the period July 2017 through May 2018 to determine whether the program was fiscally sound.
- Examined District records for the audit period to determine whether the District provided the required number of virtual instruction program (VIP) options specified by Section 1002.45(1)(b), Florida Statutes.
- Examined the contract documents for the one FDOE-approved VIP provider to determine whether the contract contained required statutory provisions. Also, we:
  - Examined the contract documents to determine whether provisions were included to address compliance with contract terms, the confidentiality of student records, and monitoring of the providers' quality of virtual instruction and data quality.
  - Examined contract fee provisions and inquired as to how fees were determined for services rendered.
- 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***

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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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is written in a cursive style with a large initial 'S'.

Sherrill F. Norman, CPA  
Auditor General

# MANAGEMENT'S RESPONSE

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SCHOOL BOARD  
Dave "Watchdog" Miner  
*Chair*

Gina Messenger  
*Vice Chair*

Rev. James Golden  
Scott Hopes, M.P.H., D.B.A.  
Charlie Kennedy

SUPERINTENDENT  
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## SCHOOL DISTRICT OF MANATEE COUNTY

April 8, 2019

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

Dear Ms. Norman:

Noted below is Manatee County School District's response to the Auditor General's preliminary and tentative audit findings for the 2018-2019 Fiscal Year Operational Audit. The Executive Leadership Team of the District is committed to the implementation of the recommendations to increase accountability, transparency and to promote effective and efficient operations throughout the District.

**Finding 1: District procedures for procuring the enterprise resource planning system and related services were not effective to ensure the timely and successful implementation of the system.**

**Response:** The District with the use of a consultant and/or other subject matter experts will thoroughly analyze the District needs and scope of project prior to the issuance of an RFP/RFQs. With the retention of a consultant and/or subject matter expert, detailed instructions will be provided to District personnel responsible for evaluating an RFP/RFQ, and the District will clearly explain benchmarks based upon the RFP and RFQ that are expected in the responses, scoring criteria and how to evaluate each RFP/RFQ based on the specific criteria. When employing direct negotiation, the District will develop a carefully considered and formulated plan for IT service provider contracts. The District must know in advance the scope of IT services that are being requested and anticipate all needs associated with the project, both fiscal and scope of work. Time and material contracts will be an exception and not the rule to avoid significant change orders. Deliverables will be scheduled with fiscal penalty when not met by a vendor. The District will establish specific provisions in the RFP, RFQ and Contract that will require the vendor to have schedules for deliverables, creating clear expectations by the District and a fiscal consequence when such schedules are not met. On the replacement of future IT systems, the School District of Manatee County will ensure that backup processes are in place while IT systems are being replaced.

**Finding 2: District controls over monitoring contractual service agreements and related payments could be enhanced. A similar finding was noted in our report No. 2017-092.**

**Response:** A sign in/out log for School Resource Officers (SRO's) will be provided at each school site. SRO's will be required to sign in/out at the front desk of their assigned schools beginning April 1, 2019. School Principals will ensure SRO's are on site and confirm work hours reported. The sign in/out logs will be forwarded to the Safety and Security office for reconciliation to invoice totals by the 7th of each month. Purchasing will implement new contract/bid language requiring invoice details. Beginning April 1st, Contract Managers will complete contract management logs to ensure satisfactory services were received based on invoices provided and reconcile work performed along with bid/contract pricing.

**Finding 3: The District needs to enhance controls over negotiating, monitoring, and documenting the reasonableness of construction management entity general conditions costs.**

**Response:** District staff (typically the Director of Construction Services and the Project Director) negotiates the General Conditions with the Construction Management Entity (CME) for each project. The following items are reviewed and negotiated: project staffing, temporary office requirements, technology items, and other relevant project-specific information. This is then compared to the District's historical data, as well as data from other Florida school districts. This is the procedure utilized; however, it was not officially documented. In addition, the CME contract template includes a separate breakdown of General Condition items, which are billed on a cost-plus basis, not as a lump sum. This process will be enhanced by requesting a breakdown of the labor burden during the negotiations. For monitoring these costs, District staff reviews the detailed financial cost reports and supporting documentation submitted by the CME each month, including payroll records. It is worth noting that all General Conditions costs questioned by the Auditor General on the sampled projects, were upon request, sufficiently documented. This process will be enhanced by clarifying information required to be determined "reasonable" such as reviewing the types of payroll records that will be acceptable.

**Finding 4: Contrary to State law, the District's grandfathered salary schedules for instructional personnel for the 2014-15 through 2017-18 fiscal years did not base compensation, in part, upon employee performance.**

**Response:** The District will work with teacher union leadership to ensure that it is compliant with State law regarding grandfathered teacher salaries, whereby compensation, in-part, is based upon performance as outlined in 1012.34 and noted in 1012.22. These items include, but are not limited to, "additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties."

**Finding 5:** District records did not document verification that the 250 charter school teachers who received Florida Best and Brightest Teacher Scholarship awards totaling \$396,800 during the 2017-18 fiscal year were eligible for those awards. In addition, the District disbursed scholarship awards totaling \$54,800 to 41 District-employed recipients who were ineligible for the awards. A similar finding was noted in our report No. 2017-092.

**Response:** The District has reassigned staff (Coordinator of Personnel/ Analyst) and enhanced procedures that include data reports from the student records and review of job data to ensure the teacher meets the required definition of classroom teacher as noted in 1012.01(2)(a). Scores are carefully reviewed, and the form of the reliable record is kept on file along with the application and performance evaluation from the previous year. In the event that a temporary report was submitted, a printout from the official website obtaining a second document verifying scores was obtained. Any teacher that was previously awarded and not eligible was notified of their ineligibility. The Coordinator collaborated with the Director for Charter Schools and presented at the Charter School Principals meeting to ensure that they were provided guidance on the process. All documents submitted by the Charter Schools sent to the District for the scholarship were reviewed by the Coordinator to check that all required elements had been met before funds are distributed.

**Finding 6:** Required background screenings were not always performed for contractor workers.

**Response:** The District will enforce current written procedures as outlined in the Jessica Lunsford Act Vendor/Contractor's Guide. Specifically, the District will ensure the screenings are promptly obtained and evaluated and that all contract workers have obtained the required background screenings. An electronic database will be monitored by our School Resource Officers (SO) and Guardians at all school sites.

**Finding 7:** Some unnecessary information technology (IT) user access privileges existed that increased the risk that unauthorized disclosure of sensitive personal information of students may occur.

**Response:** Reports were developed that list the User, Job Title, Focus Profile and Edit/View access for a student's SSN, Alias ID, External ID, Archived SSN, Archived External ID and Archived Alias ID. These reports are reviewed every, July and January, by the Student Information System (SIS) Functional Lead and the SIS Technical Lead. A script is run every July that moves the student's SSN, Alias ID and External ID to the corresponding archived fields if the student is 23 years of age or more as of June 30 of that year. This is 5 years after the expected graduation of the student.

**Finding 8: The District did not timely remove the IT access privileges of some former employees.**

**Response:** Microsoft Identity Manager (MIM) disables Active Directory (AD) user accounts (IT Access Privileges) when MIM sees a flag in the PeopleSoft HCM database (Human Resource Department System) that equals terminations. This flag in HCM database is the Action field. When the Action field is set to TER (Termination) then MIM will take the appropriate actions required for off boarding an employee and terminating IT Access Privileges. The District will ensure that we will act in a timely and efficient manner to document and confirm that all privileges have been removed.

We appreciate the professionalism and courtesy of the audit staff throughout the auditing process. Please feel free to contact Doug Wagner, Deputy Superintendent of Operations at (941) 708-8770, extension 2218 if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Cynthia Saunders". The signature is fluid and cursive, with a long horizontal line extending to the right.

Cynthia Saunders  
Superintendent