

SCHOOL BOARD WORKSHOP

GADSDEN COUNTY SCHOOL BOARD
MAX D. WALKER ADMINISTRATION BUILDING
35 MARTIN LUTHER KING, JR. BLVD.
QUINCY, FLORIDA

April 10, 2012

1:30 P.M.

This workshop was open to the public and electronically recorded.

The following Board members were present: Mr. Judge B. Helms, Chairman; Mr. Eric F. Hinson; Mr. Roger P. Milton; and Mr. Isaac Simmons. Also present were Mrs. Deborah Minnis, Attorney for the Board; and others. Mr. Charlie D. Frost and Mr. Reginald C. James, Superintendent and Secretary to the Board were absent.

1. CALL TO ORDER

The workshop was called to order the Chairman, Mr. Judge B. Helms, at 1:35 p.m.

2. HAVANA HEALTH AND WELLNESS SERVICE AND TRAINING CENTER

Dr. Shirley Aaron (I CAN representative) addressed the Board to offer a recommendation that HRS transfer the \$500,000.00 grant to the School Board. She stated that the grant must be resubmitted. She stated that the ICAN Board made the decision because it is not in the position to do the following: a) own any property; b) be responsible for the bidding process, supervising construction and similar other responsibilities related to the construction and renovation process; c) create and implement a financial structure that addresses federal requirements as well as adequate financial procedures and policies necessary to administer a \$500,000.00 grant; d) address the reporting and other requirements that are necessary to protect federal interests; e) provide medical and other types of liability coverage or additional insurance for the structures, renovations and construction proposed in the grant; and f) provide uncompensated audits focusing on the grant expenditures during or at the end of the grant. She stated that if no agency will accept ICAN's recommendation to transfer the grant, they will have to relinquish the grant meaning that public school children in Gadsden County who desperately need medical and dental services will be denied the essential services provided as a result of construction and renovation funded by the grant. Dr. Aaron stated that a number of people that have supported their efforts were at the meeting to offer their support.

Mr. Mike Sentman, Gadsden County Health Department, assured School Board members that there were no hidden costs for personnel related to this grant.

Dr. Maggie Blackburn indicated some of the specific items that would be available as a result of this grant.

During the discussion, School Board members asked questions, shared their concerns, and made comments regarding the ICAN project. They requested a copy of the ICAN Grant to help them determine whether or not to become the grant recipient.

Mr. Simmons asked Dr. Maggie Blackburn to remain as a project director if the grant goes forward.

3. INTERNAL FUNDS AUDIT FOR FISCAL YEAR ENDED JUNE 30, 2011

Mrs. Wood stated that the Schools are responsible for establishing and maintaining a system of internal accounting control. She stated that in fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. She stated that the objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statement in accordance with the cash basis of accounting. She stated that because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. She stated that projection of any evaluation of the system to future periods is subject to the risks that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

Mrs. Smith requested the Board schedule a workshop with Neola to discuss policy revisions.

Mr. Milton commended the schools for doing a good job with two or three audit findings.

4. FINANCIAL, OPERATIONAL, AND FEDERAL SINGLE AUDIT ENDED JUNE 30, 2011

Mrs. Wood stated that the district had a decrease in audit findings this year.

Mr. Joe Knicely stated that Chapter 2011-144, amended Section 218.39 Florida Statutes. He stated that the Auditor General is now required to notify the Joint Legislative Auditing Committee (JLAC) of any audited entity that fails to take corrective action in response to an audit recommendation that was included in the two preceding audit reports. He stated that the JLAC may require the School Board to provide a written statement explaining why full corrective action has not been taken, what corrective action is planned, and when such action will occur. He stated that if the JLAC is not satisfied with the response, it may require the chair person to appear before the committee. He stated that if the JLAC is not satisfied with the explanation of the chair person, the committee can direct the Department of Revenue and Financial Services to withhold any funds not pledged for bond debt service.

Mr. Simmons stated that the Chairman needs to ensure that all Board members are aware of the district audit responses before they are sent to the Auditor General. He stated that he wants to be inclusive.

Mrs. Wood and Mr. Knicely shared with the Board each of the following audit findings and responses:

- a) **Finding #1** - District records did not sufficiently evidence that performance assessments of instructional personnel were based primarily on student performance, contrary to Section 1012.34(3), Florida Statutes (2010).
Recommendation – The district should document that performance assessments of instructional personnel consider student performance as required by law.
District Response – While the evaluation was heavily weighted toward student performance, district records did not evidence the extent that FCAT scores or student achievement tests were used to evaluate student performance. One factor contributing to this finding arises from a timing issue. The district evaluates its teachers and administrators on their performance for the year before entering into reappointment contracts for the upcoming year. Unfortunately, current period FCAT results are not available prior to entering into the reappointment contracts. FCAT results for the prior year are used in our evaluation, and documentation thereof will be rigorously maintained in the future.
- b) **Finding #2** – The Board had not adopted formal policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance pursuant to Section 1012.22(1)(c)2., Florida Statutes (2010), and documenting the differentiated pay process of instructional personnel and school-based administration using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes (2010).
Recommendation – The District should adopt formal policies and procedures for ensuring that a portion of each instructional employee’s compensation is based on performance, and differentiated pay of instructional personnel and school-based administrators is appropriately identified on salary schedules, consistent with Section 1012(1)(c), Florida Statutes.
District Response - The Board is in the process of a major review and revision of its policies and procedures including all issues pertaining to instructional employee’s compensation and its relationship to performance. Appropriate references to Florida statutes and their compatible applications are major objectives of this initiative. In addition, differentiated pay will be appropriately identified on salary schedules pursuant to statute.
- c) **Finding #3-** Improvements were needed in controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education.
Recommendation – The district should enhance its controls over the reporting of instructional contact hours for adult general education classes to the Florida Department of Education. Further, the district should determine the extent of hours misreported and contact the Florida Department of Education for proper resolution.
District Response – The district reports adult student contact hours on an exception basis; in other words, in the absence of a reported exception, student attendance will be assumed and class hours will be reported. Timely input of exception reporting documents is critical to accurate reporting. The district will review its adult education exception reporting procedures and ensure that exception data are handled in a timely manner from the classroom to data entry. Further, the district will search for a reliable way to verify the accuracy of data entered into the student record system prior to each report to the Florida Department of Education. Training will be provided as needed.

d) **Finding #4** – District procedures did not provide for independent monitoring and verification of the reasonableness of cost avoidance guarantees contained in the energy savings contract.

Recommendation – The district should establish procedures to independently monitor and verify the reasonableness of the cost avoidance guarantees contained in the energy savings contract. Such procedures should include written guidelines for establishing the time frame for measuring and verifying the significant items that impact the reported savings, such as contractor adjustments and district utility bills. Also, given that the guarantees contained in the energy savings contract have been accepted, the district should perform a cost benefit analysis for continuing the support services agreement with the energy performance contractor. For future energy savings contracts, the district should ensure that the contract provisions exclude language guaranteeing that operational cost avoidance are satisfied upon contract executing and that contract provisions guaranteeing cost avoidance are not contingent on fulfillment of optional support services.

District Response – In accordance with the provisions of Chapter 1013.23(3)(d), Florida Statutes, the district obtained from the energy performance contractor (contractor) a report that disclosed all costs associated with the energy conservation measure and provided an estimate of the amount of the energy costs savings. As stated in the contract, the contractor followed guidelines and methodologies established by the United States Department of Energy’s Federal Energy Management Program and the Efficiency Valuation Organization’s International Performance Measurement and Verification Protocol. The guidelines state that measurement and valuation (M&V) reports should be as accurate as the M&V budget will allow and such costs are expected to be small relative to the monetary value of the savings being evaluated. As a result, the Florida Statutes require an M&V evaluation annually and an independent engineering review only during the initial report phase. Otherwise, M&V costs would excessively reduce the monetary benefit to the district.

The Florida Statute requires that the report be reviewed by the agency or be signed by a registered engineer. An extra degree of separation was obtained by the district whereby the contractor’s report was reviewed, signed, and sealed by an independent registered professional engineer. The district did not hire the engineer; the contractor provided an additional level of validation by utilizing a separate firm to conduct the review.

The methodology for the estimating process followed in the initial report continues in use for the annual M&V evaluations. Thus, it follows that the basis for the district’s determination of the reasonableness of the contractor’s estimate of operational cost reductions was the one-time review of the estimates performed in accordance with a uniform methodology widely accepted within the engineering profession by an independent registered professional engineer.

As part of its routine cost and budget reviews, the district evaluates energy expenses. Since the district did not incur debt to finance its investment in this energy saving endeavor, it could opt out of the continuing support services contract. Such an action would void the energy-savings obligation of the contractor and the contract would be at an end. However, the district is presently satisfied with the realized energy savings and the contractor's performance under the support services contract. The district will be considering all its options going forward.

- e) **Finding #5** – Certain employees had excessive information technology (IT) access privileges.

Recommendation – The district should continue its efforts to provide for proper separation of duties by periodically reviewing the appropriateness of the access privileges and timely removing or adjusting any inappropriate or unnecessary access detected.

District Response – The district carefully reviewed the appropriateness of the access privileges, especially for the noted employees. Adjustments have been made to enhance the proper separation of duties. The district will continue its efforts to timely remove or adjust access privileges.

- f) **Finding #6** – The District had not established a comprehensive written IT disaster recovery plan.

Recommendation – The district should develop a comprehensive disaster recovery plan including staff responsibilities, prioritization of critical operations and data, a list of backup personnel, and contingencies for service interruptions with NWRDC. In addition, the disaster recovery plan should be tested annually.

District Response – The district entered into an agreement with Mainline Disaster Recovery Services in December 2011 to develop a comprehensive disaster recovery plan that details the roles and responsibilities of staff members in the event of a disaster. The plan will prioritize critical operations of the data center and the possibilities of service interruptions with NWRDC. The plan should be in place by August 2012. The plan includes annual testing of the disaster recovery plan and annual updates as needed.

- g) **Finding #7** – The District's IT security incident response plan procedures could be enhanced.

Recommendation – The district should enhance its IT security incident response procedures to provide reasonable assurance that the district will respond in an appropriate and timely manner to events that may jeopardize the confidentiality, integrity, or availability of data and IT resources.

District Response – The district will create procedures to enhance its security incident response to provide assurance that the district will respond in a timely and appropriate manner to events that have a potential to jeopardize the confidentiality, integrity and availability of sensitive data and IT resources.

h) **Finding #8** – The District’s IT security controls related to logging, monitoring, and review of system activity needed improvement.

Recommendation – The district should improve security controls related to logging and monitoring, and review of system activity to ensure the continued confidentiality, integrity, and availability of district data and IT resources.

District Response – The district installed a new data center with the necessary controls in place to log, monitor, and review system activity. The new data center included a software upgrade and a test partition in the data center to ensure availability of district data and IT resources.

i) **Federal Awards Finding #1** – District procedures were insufficient to ensure that the meal status of students was accurately assessed and documented in accordance with Federal regulations for the Child Nutrition Cluster programs, resulting in \$1,483 of questioned costs.

Recommendation – The district should enhance its procedures to ensure that the meal status of students is accurately assessed and documented, both initially and upon verification, in accordance with Federal regulations. The district should also enhance its procedures at the point of sale at each school to ensure that a student name or identification number is entered into the computer system for meals served to eligible students. In addition, the district should document to the grantor the allowability of the questioned costs for the 2010 -11 fiscal year, or restore this amount to the applicable Child Nutrition Cluster Program. Further, the district should contact the grantor (FDOE) for appropriate resolution of the 2011-12 fiscal year questioned costs and of other instances during the 2011-12 fiscal year in which student names and related identification numbers were not entered in the computer system at the point of service for Federal reimbursement claims.

District Response – The district has enhanced its procedures to provide additional assurance that the meal status of students is accurately assessed and documented. At the beginning of the 2011-12 school year, the district implemented a new computer system to enhance its food service operation. The new computer system will enhance compliance with federal regulations and improve the economy and efficiency of district’s food services operation; however, implementation issues have resulted in the concerns raised under the Heading of Reporting included in this finding. To provide compensating controls until the implementation issues are resolved, the district’s maintaining manual records.

j) **Federal Awards Finding #2** – Title I school-wide program resources were not properly allocated to two schools, resulting in \$168,708 of questioned costs.

Recommendation – The district should enhance procedures to ensure that Title I school-wide program resources are properly allocated to schools. The district should also document to the grantor (FDOE) the allowability of the questioned costs and how Title I school-wide program resources were used at the schools with the greatest needs, or restore the questioned costs to the Title I program.

District Response – The district agrees that it incorrectly allocated amounts to the schools upon notification from the grantor that unexpended funds from the prior grant were awarded. Shortly, thereafter, the district proposed an amendment to the grant budget reflecting the additional funds and the incorrect grade span allocation unchanged. In May of 2011, the Director of Federal Programs was attending a training seminar and learned that for schools above the 75 percent poverty level, budget allocations by grade span was inappropriate. This information was immediately shared with the grantor agency and with the legislative audit staff. On May 26, 2011, the grantor advised the district that another budget amendment was required to correct the grade span allocation. The school year ended on June 7, 2011. The required amendment was submitted to the grantor on June 15, 2011, and the accounting entries were made at about the same time. The grantor approved the amendment on July 7, 2011.

The district understands and agrees that certain schools with high percentage of low income students were not timely notified of additional funds available. The district does not understand or agree that costs can be questioned by the auditor and subject to disallowed by the grantor in the absence of expenditures. Interested readers are referred to the district's response to Federal Finding No. 1 in the Auditor General's Report No. 2010-166.

(k) **Federal Awards Finding #3** – District records did not document the necessity and reasonableness for holding a Title I program conference approximately 140 miles from the district office, resulting in \$27,680 of questioned costs.

Recommendation – The district should enhance its procedures to ensure that Title I program expenditures are necessary and reasonable for the proper and efficient performance of the program. Additionally, the district should document to the grantor (FDOE) the allow ability of the questioned costs or restore this amount to the Title I program.

District Response – The grant narrative approved by the Florida Department of Education includes \$106,000 to implement a combination advanced placement and pre-international baccalaureate program at West Gadsden High School. This narrative specifically includes \$60,000 for teacher training and stipends for this program. Also, in a letter to the Gadsden County Superintendent of Schools, the Principal of West Gadsden High School requested permission to convene the questioned workshop in Destin, Florida, near a model program in Okaloosa County. The approved grant narrative demonstrates that the questioned expenditure is both necessary and reasonable for the proper and efficient performance of the program approved in the grant narrative.

- 1) **Federal Awards Finding #4** – District records did not always evidence review and reconciliation of school food service charges to bid and contract documents before payment for goods and services were made for the Child Nutrition programs, resulting in \$42,342 of questioned costs.

Recommendation – The district should enhance procedures to maintain evidence of its review and reconciliation of amounts billed for school food service purchases to bid and contract documents prior to payment for goods and services. In addition, the district should document to the grantor the allowability of the questioned costs, or restore this amount to the applicable Child Nutrition Cluster programs.

District Response – The district’s food service program is self-sustaining while providing meals to all its students at very reasonable rates. Based on family income, certain students are eligible for a reduced amount and others are eligible for free lunches. Breakfast is free to all students, and certain younger students are provided free after-school snacks. The free and reduced price meals and snacks are subsidized by the federal government through the FDOE. The federal program pays the district a predetermined rate for each free and a predetermined rate for each reduced meal. The actual costs incurred by the district are not a consideration in amount paid for each of the meals provided.

The district will implement procedures to improve the economy and efficiency of its food service operation. For example, the reassignment of the food service accounts payable function, and the district will secure copies of the POWER Buying Group and the North Florida Buying Group purchase contracts in order to assure that food items are in fact purchased at contracted prices. Until such purchase contracts are received and the reassignment of the food service accounts payable has been accomplished, the vendor restricted the district’s ability to purchase food items to the Manatee County School Board purchase contract on or about February 27, 2012.

m) **Federal Awards Finding #5** – The district charged expenditures to the Special Education program for obligations that were not incurred within the grant period, resulting in \$26,891 of questioned costs.

Recommendation – The district should enhance its procedures to ensure that Federal awards are only charged for costs resulting from obligations incurred within the grant period. Additionally, the district should document to the grantor (FDOE) the allowability of the questioned costs, or restore this amount to the Special Education program.

District Response – The error is the result of a random clerical error, and it is not systemic. The district assigns project numbers to each grant award. In this instance the district charged the transaction in question to project number 4226310 instead of the correct project number 4226300, grant periods July 1, 2010 through June 30, 2011, and July 1, 2009 through June 30, 2010, respectively. The correct grant period is currently closed to further charges. The district will discuss the matter with the grantor agency.

Board members thanked Mrs. Wood, Mrs. Smith and staff for providing valuable information regarding the audits.

5. ITEMS BY THE SUPERINTENDENT

Mrs. Smith announced that the FCAT window started on Monday, retakes are scheduled for April 11th and 12th. She stated that the 3rd thru 10th graders are scheduled to test the week of April 16th. She encouraged Board members to call or visit schools in their district.

6. SCHOOL BOARD REQUESTS AND CONCERNS

Mr. Helms announced that the TRIO celebration was scheduled for Saturday, April 14th from 10:00 a.m. to 2:00 p.m. at Tanyard Creek.

7. The workshop adjourned at 4:10 p.m.