REPORT NO. 2011-056
DECEMBER 2010

MARTIN COUNTY

DISTRICT SCHOOL BOARD

Operational Audit

STATE OF FLORIDA
AUDITOR GENERAL
DAVID W. MARTIN, CPA

BOARD MEMBERS AND SUPERINTENDENT

Board members and the Superintendent who served during the 2009-10 fiscal year are listed below:

	District No.
Lorie Shekailo, Chair	1
Sue Hershey, Vice Chair	2
Laurie Gaylord	3
Maura Barry-Sorenson	4
Dr. David L. Anderson	5

Nancy Kline, Superintendent

The audit team leader was Stefanie Johnson, CPA, and the audit was supervised by Ida Marie Westbrook, CPA. For the information technology portion of this audit, the audit team leader was Kathy B. Sellers, CISA, and the supervisor was Nancy M. Reeder, CPA, CISA. Please address inquiries regarding this report to Gregory L. Centers, CPA, Audit Manager, by e-mail at gregcenters@aud.state.fl.us or by telephone at (850) 487-9039.

This report and other reports prepared by the Auditor General can be obtained on our Web site at www.myflorida.com/audgen; by telephone at (850) 487-9024; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MARTIN COUNTY

District School Board

SUMMARY

Our operational audit disclosed the following:

BOARD POLICIES

Finding No. 1: Existing policies relating to ethics and antifraud could be enhanced.

Finding No. 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, and documenting the differentiated pay process of instructional personnel and school-based administrators using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes.

PROCUREMENT

Finding No. 3: Enhancements were needed in controls over the District's purchasing card program.

STUDENT ENROLLMENT

Finding No. 4: The District needed to enhance its procedures to ensure accurate reporting of instructional contact hours for adult general education courses to the Florida Department of Education.

BACKGROUND

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

During the 2009-10 fiscal year, the District operated 22 elementary, middle, high, and specialized schools; sponsored one charter school; and reported 17,612 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Board Policies

Finding No. 1: Ethics and Antifraud Policies

As similarly noted in our report No. 2010-072, the Board's ethics and antifraud policies could be enhanced. Sufficient ethical policies clearly communicate that employees are held in public trust, and are obligated to honesty and integrity in fulfilling their responsibilities. Paramount in that trust is the principle that public employment may not be used for personal gain or private advantage. Also, appropriate antifraud guidance enhances awareness of the process to report and investigate known or suspected fraud.

While the Board's ethics policies (Policy Nos. 3170 and 6460) provided a general basis for prudent and ethical standards, they did not clearly set forth the details of how these policies may be applied. In addition, the antifraud policy (Policy No. 3145) defines fraud, identifies actions constituting fraud, and consequences for fraudulent behavior; however, it does not clearly set forth protections offered individuals who report known or suspected fraud,

procedures for incident reporting, and responsibility for fraud investigation. As of September 2010, the District had not updated these policies, but had contracted with a company to provide this service. District management indicated that the updated policies, including those for ethics and antifraud, will be available for Board approval within the next several months.

Recommendation: The Board should continue its efforts to ensure that ethics policies and procedures clearly hold employees to standards that protect the District's resources, reduce the risk of fraud or abuse, and advance the public's interest. The Board should also ensure that antifraud policies include statements regarding communicating, reporting, and investigating known or suspected fraud.

Finding No. 2: Compensation and Salary Schedules

Section 1001.42(5)(a), Florida Statutes, requires the Board to designate positions to be filled, prescribe qualifications for those positions, and provide for the appointment, compensation, promotion, suspension, and dismissal of employees, subject to the requirements of Chapter 1012, Florida Statutes. Section 1012.22(1)(c)2., Florida Statutes, provides that, for instructional personnel, the Board must base a portion of each employee's compensation on performance. In addition, Section 1012.22(1)(c)4., Florida Statutes, requires the Board to adopt a salary schedule with differentiated pay for instructional personnel and school-based administrators. The salary schedule is subject to negotiation as provided in Chapter 447, Florida Statutes, and must allow differentiated pay based on District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.

While compensation of instructional personnel is typically subject to collective bargaining, the Board had not 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. Such policies and procedures could establish and clearly communicate the performance measures affecting instructional employee compensation.

The Board policy for professional/technical and supervisory personnel, including school-based administrators, establishes various supplements, including those for school demographics (western zone), level of education, years of experience, and other supplements. While this policy sets forth school-based administrator salary differentials based on school demographics, it does not establish the documented process to identify which school-based administrators were entitled to this differentiated pay. In addition, the policy does not include consideration of the other three required differentiated pay factors of additional responsibilities, critical shortage areas, and level of job performance difficulties. Further, the Board had not adopted formal policies and procedures establishing the documented process to identify the instructional personnel entitled to differentiated pay using the factors prescribed in Section 1012.22(1)(c)4., Florida Statutes. Such policies and procedures could specify the prescribed factors used as the basis for determining differential pay, the documented process for applying the prescribed factors, and the individuals responsible for making such determinations.

For the 2009-10 fiscal year, the District and Martin County Education Association (MCEA) reached an impasse in contract negotiations and continued using the 2008-09 fiscal year union contract. The salary schedule and applicable union contracts used during the 2009-10 fiscal year for instructional personnel and school-based administrators provided pay levels based on various factors such as job classification, years of experience, level of education, and other factors. However, the District's procedures for documenting compliance with Section 1012.22(1)(c), Florida Statutes, could be improved, as follows:

- **Instructional Personnel**. The instructional personnel salary schedule and union contracts did not evidence that a portion of the compensation of each instructional employee was based on performance, contrary to Section 1012.22(1)(c)2., Florida Statutes. According to District personnel, the negotiated union contract discontinued participation in a performance pay program because of the lack of State funding, and no performance-based payments were made during the 2009-10 school year. However, pursuant to statute, a portion of the compensation of each instructional employee must be based on performance.

  The instructional personnel salary schedule and union contracts provided salary supplements for additional responsibilities beyond the standard seven and three-quarter hour day, such as supplements for athletic and drama coaches and department chairpersons. District personnel also indicated that, for about the past 10 years, the union contracts have provided salary differentials for school demographics, level of job performance difficulties, and critical shortage areas for speech and language pathologists, social workers, and program specialists. However, District records did not clearly evidence the basis upon which these determinations were made or the relevancy of such determinations for the 2009-10 fiscal year salaries. For example, documentation of school demographics could include an analysis of demographics among schools and how particular demographics affect compensation. For level of job performance difficulties, consideration could be documented to demonstrate how specific tasks or job classifications have special challenges that impact personnel compensation. For critical shortage areas, documentation could include records evidencing a minimal number of applicants, high personnel turnover rates, and other factors demonstrating the difficulty of hiring and retaining particular personnel.

- **School-based Administrators**. District personnel indicated that the school-based administrators' salary schedule includes consideration for additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties. For example, District personnel indicated that the schedule evidenced differing administrative pay grades for elementary, middle, and high schools based on the additional responsibilities and level of job performance difficulties. Supplements and bonus compensation were also provided based on school demographics and critical need areas. However, District records did not document the basis for identifying the critical shortage areas that resulted in the additional compensation for the school-based administrators.

Without Board-adopted policies and procedures for ensuring that a portion of each instructional employee's compensation is based on performance, and sufficiently identifying the basis for the differentiated pay, the District may be limited in its ability to demonstrate that each instructional employee's performance correlated to their compensation and the various differentiated pay factors were consistently considered and applied.

Recommendation: The Board 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 1012.22(1)(c), Florida Statutes.

Procurement

Finding No. 3: Purchasing Cards

The District provided purchasing cards to authorized employees for the purchase of goods and services, and used three types of purchasing cards by various staff and management functions to make:

- Small dollar purchases, such as operating supplies, materials, services, and hotel costs for school business purposes;
- Small dollar purchases, as mentioned above, and large dollar purchases, pursuant to Board-awarded contracts or bids; purchasing department capital equipment acquisitions with individual costs exceeding $1,000; and certain payments exempt from competitive requirements such as insurance premiums, memberships, exempt professional services, utilities, and phone bills; and

- Purchases from internal funds.

The District contracted with a financial institution to provide the purchasing cards and to process purchases. The District has a written purchasing card manual that addresses various aspects related to purchasing cards such as the responsibilities of the cardholder, purchasing card clerk, and others; the process for obtaining and using purchasing cards; purchasing card limits; and purchasing card cancellation within 24 hours of employment termination. Additionally, purchases made with purchasing cards are subject to the same rules and regulations that apply to other District purchases. Purchasing cards were issued in the name of individual employees or departments.

The purchasing card manual required new cardholders to sign cardholder acceptance forms to evidence acceptance of the purchasing card and the established conditions of use. The established conditions of use included the District's purchasing policies; prohibited personal or non-District related purchases; and disciplinary action for unauthorized use. Our review disclosed that the District's purchasing card controls could be enhanced as follows:

- Our review of three departmental purchasing cards disclosed single transaction and monthly credit limits that appeared excessive based on actual purchases during the 2009-10 fiscal year, as shown below:

Department	Single Transaction Limit	Actual Highest Single Transaction	Monthly Limit	Actual Highest Monthly Total
Capital	$ 300,000	$ 166,482	$ 610,000	$ 363,027
Finance	90,000	32,767	250,000	190,193
Warehouse	25,000	21,832	100,000	55,354

  District personnel indicated that the limits were originally set based on a monthly average of expenditures in each area, and had not been reviewed for changes in actual use. Effective controls to monitor the reasonableness of purchasing card credit limits reduces the risk of unauthorized use.

- Our tests of acceptance forms for 24 purchasing cards disclosed 4 purchasing cards for which the signatures on the acceptance forms were those of former employees rather than the current users, and 3 department or school purchasing cards that did not have completed acceptance forms for all users. For example, the acceptance form on file for a finance department purchasing card contained the signature of a former employee, who terminated employment with the District in September 2006. District management indicated that the District did not always update acceptance forms upon employee turnover. Subsequent to our inquiries, District personnel indicated that they began reviewing and updating the acceptance forms to ensure that signatures on the forms represented current purchasing cardholders.

- Our tests of 10 terminated employees with purchasing card privileges disclosed 2 former employees whose purchasing card privileges were not canceled until 20 and 377 days, respectively, after the employees' termination dates. District management indicated that there was a change in purchasing card administrators, but there was a time lapse before the District reassigned these duties to the new administrator, contributing to the untimely card privilege cancellations. While our tests did not disclose that the former employees used the purchasing cards after the employee termination dates, without timely cancellation of employee purchasing privileges upon employment termination, there is an increased risk that errors or unauthorized purchases could occur.

Recommendation: The District should enhance procedures to ensure that appropriate single and monthly transaction credit limits are established consistent with actual use by cardholders. The District should also continue its efforts to evidence that each purchasing card user has accepted the established conditions for card use. In addition, the District should enhance controls to ensure the prompt removal of purchasing card privileges for cardholders who terminate employment.

Student Enrollment

Finding No. 4: Adult General Education Courses

Section 1004.02(3), Florida Statutes, defines adult general education, in part, as comprehensive instructional programs designed to improve the employability of the State's workforce. Chapter 2009-81, Laws of Florida, Specific Appropriation 111, states that from the funds provided in Specific Appropriations 9 and 111, each school district shall report enrollment for adult general education programs identified in Section 1004.02, Florida Statutes, in accordance with the Florida Department of Education (FDOE) instructional hours reporting procedures. Procedures provided by FDOE to the school districts stated that fundable instructional contact hours are those scheduled hours that occur between the date of enrollment in a class and the withdrawal date or end-of-class date, whichever is sooner.

During the 2009-10 academic year, the District reported 410,973 adult general education contact hours for 1,704 students to FDOE. To determine the propriety of the amounts reported to FDOE, we tested District records for 20 students enrolled in 109 adult general education classes. Our test disclosed that of the 8,540 hours reported for the students in our test, 364 hours or 4 percent were overreported, as noted below:

- For one student, the District reported 30 hours for spring term; however, the student both enrolled and withdrew on the same date resulting in the 30 hours being overreported.
- For three students, there was a duplication in the hours reported for the fall term, resulting in 334 hours overreported. District personnel indicated that this occurred because of a programming error that calculated hours starting with the enrollment date rather than the term date for certain students. For example, a student enrolled in fall and spring terms would have the correct number of hours reported for fall, but the hours for spring also included those for the fall term that were already reported. District personnel determined that a total of 76 students were affected by the programming error resulting in 6,002 hours being overreported to FDOE.

Since future funding may be based, in part, on enrollment data submitted to FDOE, it is important that such data be accurate and adequately supported.

Recommendation: The District should enhance its controls to ensure that attendance records are maintained to support instructional contact hours for adult general education courses reported to the Florida Department of Education. Further, the District should determine the extent to which it misreported adult general education hours because of the programming error and contact the Florida Department of Education for proper resolution of misreported hours.

PRIOR AUDIT FOLLOW-UP

Except as discussed in the preceding paragraphs, the District had taken corrective actions for findings included in our report No. 2010-072.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

We conducted this operational audit from June 2010 to October 2010 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: (1) obtain an understanding and make overall judgments as to whether District internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the District; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the District had taken corrective actions for findings included in our report No. 2010-072. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2009-10 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing District personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the District's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

AUTHORITY

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



David W. Martin, CPA
Auditor General

MANAGEMENT'S RESPONSE

Management's response is included as Exhibit B.

THIS PAGE INTENTIONALLY LEFT BLANK.

EXHIBIT A
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Information Technology (IT) access controls.	Reviewed procedures for the periodic review of the appropriateness of user access. Reviewed access privileges for appropriateness for selected employees.
Procedures to timely prohibit former employees' access to electronic data files.	Tested access privileges to data files for employees who terminated employment during the audit period and verified that the District timely terminated access privileges.
User authentication controls.	Examined supporting documentation to determine whether user authentication controls were configured and enforced in accordance with IT best practices.
IT logging and monitoring controls.	Examined supporting documentation to determine whether logging and monitoring controls were configured and enforced in accordance with IT best practices.
John M. McKay Scholarships for Students with Disabilities Program.	Examined records to determine whether parents and guardians were notified annually of the John M. McKay Scholarships for Students with Disabilities Program pursuant to Section 1002.39(5)(a), Florida Statutes.
Social security numbers.	Examined records to determine whether the District had provided individuals with a written statement as to the purpose of collecting social security numbers pursuant to Section 119.071(5)(a), Florida Statutes.
Fraud policy and related procedures.	Examined written policies, procedures, and supporting documentation related to the District's fraud policy and related procedures.
Financial condition.	Applied analytical procedures to determine whether the General Fund unreserved fund balance at June 30, 2010, was less than the percents of the Fund's revenues specified in Section 1011.051, Florida Statutes.
Direct-support organization audit.	Reviewed the District's direct-support organization's audit report to determine whether the audit was performed pursuant to Chapter 10.700, Rules of the Auditor General, and Section 1001.453, Florida Statutes.
Charter school administrative fee.	Examined records to determine whether the District properly withheld the charter school administrative fee pursuant to Section 1002.33(20)(a), Florida Statutes.
Banking activities.	Reviewed District records, such as bank and electronic fund transfer agreements and bank reconciliations, to determine the propriety of cash transactions.
Restrictions on use of nonvoted capital outlay tax levy proceeds.	Applied analytical procedures, tested payments made from nonvoted capital outlay tax levy proceeds, and examined supporting documentation to determine whether the District complied with requirements related to the use of nonvoted capital outlay tax levy proceeds.

EXHIBIT A (Continued)
AUDIT SCOPE AND METHODOLOGY

Scope (Topic)	Methodology
Construction project administration.	Tested major construction projects to determine whether the District properly monitored the award process, selection of subcontractors, required insurance, and use of sales tax exemptions for direct purchases of materials. Also, determined whether payments were made in accordance with contract terms, and contracts included the required penalty clauses.
Adult general education program enrollment reporting.	Tested adult education students from Florida Department of Education (FDOE) records and examined supporting documentation to determine whether the District reported instructional and contact hours in accordance with FDOE requirements.
Restrictions on use of Workforce Development funds.	Tested expenditures charged to Workforce Development to determine whether the District used funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
Performance assessments.	Examined supporting documentation to determine whether the District had established adequate performance assessment procedures for instructional personnel and school administrators primarily based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes.
Compensation and salary schedules.	Examined supporting documentation to determine whether the Board, for instructional personnel, based a portion of each employee's compensation on performance, and adopted a salary schedule with differentiated pay for instructional personnel and school-based administrators based upon District-determined factors, including, but not limited to, additional responsibilities, school demographics, critical shortage areas, and level of job performance difficulties.
Superintendent and school board member compensation requirements of Chapter 2009-59, Laws of Florida.	Determined whether the Superintendent was properly paid pursuant to employment agreements and received no more than $225,000 in remuneration from State funds. Also, determined whether the salary of school board members was calculated according to statutory guidance.
Procurement policies and procedures.	Tested significant dollar purchases and examined supporting documentation to determine compliance with bid requirements. Also, performed analytical procedures to determine whether purchases were split to bypass bid requirements.
Purchasing card transactions.	Tested purchasing card transactions for propriety and compliance with related laws, rules, and District procedures.

EXHIBIT B
MANAGEMENT'S RESPONSE

Nancy Kline, Superintendent of Schools
THE SCHOOL BOARD OF MARTIN COUNTY, FLORIDA

500 East Ocean Blvd • Stuart, Florida 34994 • Telephone (772) 219-1200 Ext: 30200 • Facsimile: (772) 219-1231

December 14, 2010

Mr. David W. Martin, CPA
Auditor General
111 West Madison Street
Tallahassee, Florida 32399

Dear Mr. Martin:

The following information is submitted in response to your preliminary and tentative Operational audit findings and recommendations from your audit of the District School Board of Martin County for the fiscal year ended June 30, 2010:

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1: Ethics and Antifraud Policies

RECOMMENDATION: The Board should continue its efforts to ensure that ethics policies and procedures clearly hold employees to standards that protect the District's resources, reduce the risk of fraud or abuse, and advance the public's interest. The Board should also ensure that antifraud policies include statements regarding communicating, reporting, and investigating known or suspected fraud.

DISTRICT RESPONSE: The District Acknowledges the Auditor's Florida Statute compliance finding and has prepared the following response:

At the direction of the Superintendent and the School Board, the District is currently performing a comprehensive review and revision of all School Board Policies and Procedures including the Board's ethics and antifraud policies. Our current project timeline will allow for the adoption of the revised policies 0120-0123, 1210, 1214, 3170, 3129, 3210, 3211, 3214, 4210, 4214, 6460, and 8700 by the start of our new fiscal year (July 1st, 2011).

FINDING NO. 2: Compensation and Salary Schedules

RECOMMENDATION: The Board 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 1012.22(1)(c), Florida Statutes.

School Board Members: Dr. David L. Anderson • Maura Barry-Sorenson • Michael J. Busha • Laurie Gaylord • Susan J. Hershey
"An Equal Opportunity Agency"

EXHIBIT B
MANAGEMENT'S RESPONSE (Continued)

DISTRICT RESPONSE: The District Acknowledges the Auditor's Florida Statute compliance finding and has prepared the following response:

At the direction of the Superintendent and the School Board, the District is currently performing a comprehensive review and revision of all School Board Policies and Procedures, including 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 properly identified on salary schedules consistent with state statutes. Our current project timeline will allow for the adoption of the revised policies 1410 and 3410 by the start of our new fiscal year (July 1st, 2011). In addition, the District's Race to the Top application was approved by the Florida Department of Education recently and instructional employee compensation based on performance, and differentiated pay of instructional personnel and school-based administrators identified on salary schedules consistent with statute, are included in the Work Plan deliverables of our submission and are being worked on at this time.

FINDING NO. 3: Purchasing Cards

RECOMMENDATION: The District should enhance procedures to ensure that appropriate single and monthly transaction credit limits are established consistent with actual use by cardholders. The District should also continue its efforts to evidence that each purchasing card user has accepted the established conditions for card use. In addition, the District should enhance controls to ensure the prompt removal of purchasing card privileges for cardholders who terminate employment.

DISTRICT RESPONSE: The District Acknowledges the Auditor's Florida Statute compliance finding and has prepared the following response:

The District will review spending limits by user and spending limits will be adjusted to better reflect actual monthly spending. Although internal procedures existed for PCard Administration in 2010, the actual Position these duties were assigned to was vacant for most of the fiscal year. These procedures are currently being reviewed to ensure that someone is specifically identified to perform these functions as a back up to the designated PCard Administrator. Additionally, all Pcard Participants will be required to submit an updated User Acceptance Form.

FINDING NO. 4: Adult General Education Courses

RECOMMENDATION: The District should enhance its controls to ensure that attendance records are maintained to support instructional contact hours for adult general education courses reported to the Florida Department of Education. Further, the District should determine the extent to which it misreported adult general education hours because of the programming error and contact the Florida Department of Education for proper resolution of misreported hours.

EXHIBIT B
MANAGEMENT'S RESPONSE (Continued)

DISTRICT RESPONSE: The District Acknowledges the Auditor's Florida Statute compliance finding and has prepared the following responses:

For one student, the District reported 30 hours for spring term; however, the student both enrolled in and withdrew on the same date resulting in 30 hours being over-reported.

Written Statement of Explanation: The student in question was being served through the local jail. A copy of the GED Testing Service report states that the GED test was taken on 10/20/09. Due to the fact the student does not receive results immediately she continued taking the classes until she got the results. Based on this information, it appears that her hours were over reported for fall as she continued to receive instruction until the passing of the GED was official. Also, based on documentation, she withdrew on 1/4/10 instead of 1/11/10 which means that she enrolled and withdrew on the same day. Based on this information student's hours were over reported for spring by a total of 30 hours.

For three students, there was duplication in the hours reported for fall term, resulting in 334 hours over-reported. District personnel indicated that this occurred because of a programming error that calculated hours starting with the enrollment date rather than the term date for certain students. For example, a student enrolled in fall and spring terms would have the correct number of hours reported for fall, but the hours for spring also included those for the fall term that were already reported. District personnel reported that a total of 76 students were affected by the programming error during 2009-2010, resulting in 6,002 hours being over-reported to FDOE.

Written Statement of Explanation: To correct this problem, the District's Educational Technology Department has modified the post program (in TERMS) to calculate hours from the beginning of the term, or enrollment date if it falls after the beginning of the term, until the end of the term or withdrawal date.

Additionally, the District has been in contact with the Chief of the Bureau of Budget, Accountability, and Assessment within the Career and Adult Education Division at the Florida Department of Education in order to bring proper resolution of misreported hours. After speaking with the FDOE representative, she indicated that the 6,002 over-reported hours would have a marginal impact on funding and that the District has not yet received funding for the fiscal year 2009-2010 due to the way funding for district workforce programs is calculated.

How funding for workforce education programs is calculated:
To ensure equitable funding for all district workforce education programs and to recognize enrollment growth, a rolling average of FTE by program is used for the calculation. For the 2010-11 funding needs analysis, actual FTE for the following years was used in the calculation: 2007-08, and 2008-09. (*Note:* For the 2011-12 model, the Office of Program Policy Analysis and Governmental Accountability has recommended using a three-year average. The Division of Career and Adult Education has agreed to implement this recommendation.)

3

EXHIBIT B
MANAGEMENT'S RESPONSE (Continued)

The following instructional hours reported in the Workforce Development Information System (WDIS) are included in the calculation:

- Adult General Education (AGE)
- Career Certificates and Applied technology Diplomas (ATD)
- Apprenticeship (APPR) for Classroom or related Training Instruction (RtI)
- Apprenticeship (APPR) for On-the-job training (OJT)

Since 900 Instructional Hours = 1 FTE, to determine the number of FTE, instructional hours are divided by 900.

Total Instructional Hours/900 = Reported FTE

Adult General Education FTE

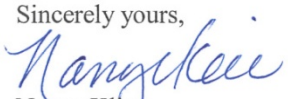
Beginning with the 2006-07 reporting cycle, districts and colleges were required to report instructional hours using new guidelines. These guidelines are outline in the data reporting procedures and with a memorandum. Links to the memorandum and supporting documents can be found at:

Memo: http://info.fldoe.org/docushare/dsweb/Get/Document-3722/06_14memo.pdf
Procedures: http://info.fldoe.org/docushare/dsweb/Get/Document-3723/06_14att1.pdf
Technical Assistance: http://info.fldoe.org/docushare/dsweb/Get/Document-3724/06_14att2.pdf
According to these procedures, "a maximum of 1300 hours may be fundable per reporting year for adult education student." In addition, records submitted with less than 10 instructional hours are excluded. After these policies are applied to reported hours, the remaining hours are analyzed by calculating the headcount to FTE ratio. For example, for a district with 44,405 adult general education students and 10,477.34 FTE, the headcount to FTE ratio is 4.2. To identify outliers in the adult general education reporting, each district's headcount to FTE ratio is compared to the system headcount to FTE ratio. If the district headcount to FTE ratio falls more than .5 standard deviation below the system average, an additional cap is applied to the FTE to exclude outliers.

Due to the use of a rolling average formula to calculate funding for workforce education programs, the district has not yet received funding based on the 2009-10 over-reported hours. When the 2009-10 year is considered, the FDOE considers the impact will be marginal.

The Martin County School District accepts your findings and recommendations, with regard to FY 2009-2010 Operational audit. New procedures are in process to comply with the recommendations.

Sincerely yours,



Nancy Kline
Superintendent of Schools