

**MANATEE COUNTY  
DISTRICT SCHOOL BOARD**

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**Federal Single Audit Report**

For the Fiscal Year Ended  
June 30, 2010



## BOARD MEMBERS AND SUPERINTENDENT

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

	<u>District No.</u>
Barbara A. Harvey	1
Harry G. Kinnan	2
Jane R. Pfeilsticker, Vice Chair to 11-16-09, Chair from 11-17-09	3
Robert C. Gause, Vice Chair from 11-17-09	4
Walter E. Miller, Chair to 11-16-09	5

Tim McGonegal, Superintendent

The Auditor General conducts 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.

The audit team leader was Elba M. Guzik, CPA, and the audit was supervised by Karen J. Collington, CPA. For the information technology portion of this audit, the audit team leader was Vikki S. Mathews, 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](mailto: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](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

MANATEE COUNTY DISTRICT SCHOOL BOARD  
FEDERAL SINGLE AUDIT REPORT  
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## EXECUTIVE SUMMARY

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### Summary of Report on Financial Statements

The District's basic financial statements, as of and for the fiscal year ended June 30, 2010, were presented fairly, in all material respects, in accordance with prescribed financial reporting standards. Our report on the District's financial statements is included in the District's [Comprehensive Annual Financial Report](#) for the fiscal year ended June 30, 2010.

### Summary of Report on Internal Control and Compliance

Our audit did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* issued by the Comptroller General of the United States.

### Summary of Reports on Federal Awards

Information on the Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis and is not a required part of the District's basic financial statements. Information on the SEFA is fairly stated, in all material respects, in relation to the District's basic financial statements taken as a whole.

We audited the District's Federal awards for compliance with applicable Federal requirements. The Child Nutrition Cluster; Title I, Part A Cluster; Special Education Cluster; Fund for the Improvement of Education; Twenty-First Century; and State Fiscal Stabilization Fund programs were audited as major Federal programs. The results of our audit indicated that the District materially complied with the requirements that were applicable to the major Federal programs tested, except for the Special Education and Twenty-First Century programs. Noncompliance and control deficiency findings are summarized below.

Federal Awards Finding No. 1: The District did not adequately document charges to Special Education programs for coordinated early intervention services, resulting in \$1,399,422 of questioned costs.

Federal Awards Finding No. 2: District records did not evidence that the District met the maintenance of effort requirement for Special Education programs, resulting in \$459,718 of questioned costs.

Federal Awards Finding No. 3: The District did not sufficiently document that it had met the matching requirements for the Twenty-First Century program, resulting in \$209,720 of questioned costs.

Federal Awards Finding No. 4: Required documentation to support personnel charges, totaling \$2,292,337, for 35 employees performing services for the Special Education program was not maintained, contrary to Federal regulations.

Federal Awards Finding No. 5: The District charged expenditures to the Title I program for obligations that were not incurred within the grant period, resulting in \$13,730 of questioned costs.

Federal Awards Finding No. 6: The District's procedures were not adequate to ensure indirect costs were properly calculated for the food service program, resulting in \$47,636 of questioned costs.

### Audit Objectives and Scope

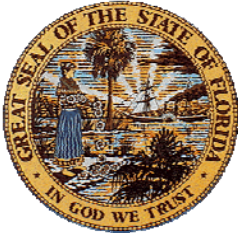
Our audit objectives were to determine whether the Manatee County District School Board and its officers with administrative and stewardship responsibilities for District operations had:

- Presented the District's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements or on a major Federal program;

- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements, and those applicable to the District's major Federal programs; and
- Taken corrective actions for findings included in the previous audit report.

#### Audit Methodology

The methodology used to develop the findings in this report included the examination of pertinent District records in connection with the application of procedures required by auditing standards generally accepted in the United States of America, applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget *Circular A-133*.



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2010. Our report on the basic financial statements was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the aggregate discretely presented component units, as described in our report on the Manatee County District School Board's financial statements. For the aggregate discretely presented component units, this report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of OASIS Middle School, a discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a

reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

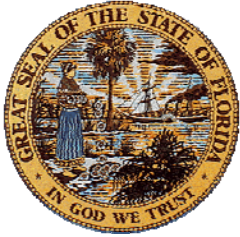
We noted certain matters that we reported to District management in our operational audit report No. 2011-050, dated December 2010.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
December 13, 2010



DAVID W. MARTIN, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB *CIRCULAR A-133*

### Compliance

We have audited the Manatee County District School Board's compliance with the types of compliance requirements described in the United States Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major Federal programs for the fiscal year ended June 30, 2010. The District's major Federal programs are identified in the **SUMMARY OF AUDITOR'S RESULTS** section of the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB *Circular A-133*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

As described in Federal Awards Finding Nos. 1 and 3 in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report, the District did not comply with requirements regarding matching, level of effort, and earmarking that are applicable to its Special Education and Twenty-First Century programs. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the fiscal year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB *Circular A-133* and which are described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2, 4, 5, and 6.

### **Internal Control Over Compliance**

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we considered to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 1 and 3 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report as Federal Awards Finding Nos. 2, 4, 5, and 6 to be significant deficiencies.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Manatee County District School Board as of and for the fiscal year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 13, 2010. Our report on the basic financial statements was modified to include a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is presented for purposes of additional analysis as required by OMB *Circular A-133* and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS** is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Management's response to the findings described in the **SCHEDULE OF FINDINGS AND QUESTIONED COSTS** section of this report is included as Exhibit A. We did not audit management's response and, accordingly, we express no opinion on the response.

Pursuant to Section 11.45(4), Florida Statutes, this report is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



David W. Martin, CPA  
February 25, 2011

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**MANATEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Agriculture:</b>				
Indirect:				
Child Nutrition Cluster:				
Florida Department of Education:				
School Breakfast Program	10.553	321	\$ 2,807,951	\$
National School Lunch Program	10.555	300	9,221,480	
Summer Food Service Program for Children	10.559	323	290,500	
Florida Department of Agriculture and Consumer Services:				
National School Lunch Program	10.555 (2)(A)	None	903,545	
<b>Total Child Nutrition Cluster</b>			<b>13,223,476</b>	
Florida Department of Education:				
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	371	97,169	
Fresh Fruit and Vegetable Program	10.582	01-0041	345,918	
<b>Total United States Department of Agriculture</b>			<b>13,666,563</b>	
<b>United States Department of Labor:</b>				
Indirect:				
Suncoast Workforce Board, Inc.:				
ARRA - WIA Youth Activities	17.259	09-23	30,000	
Florida Department of Education:				
National Farmworker Jobs Program	17.264	405	259,966	
<b>Total United States Department of Labor</b>			<b>289,966</b>	
<b>United States Department of Education:</b>				
Direct:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	14,086	
Federal Work-Study Program	84.033	N/A	37,026	
Federal Pell Grant Program	84.063	N/A	2,196,983	
<b>Total Student Financial Assistance Cluster</b>			<b>2,248,095</b>	
Safe and Drug-Free Schools and Communities - National Programs				
Fund for the Improvement of Education	84.184	N/A	55,120	
Arts in Education	84.215	N/A	2,446,945	
	84.351	N/A	195,962	
<b>Total Direct</b>			<b>4,946,122</b>	
Indirect:				
Special Education Cluster:				
Florida Department of Education:				
Special Education - Grants to States	84.027	263	9,560,196	
Special Education - Preschool Grants	84.173	267	257,271	
ARRA - Special Education - Grants to States, Recovery Act	84.391	263	2,294,498	10,190
Sarasota County District School Board:				
Special Education - Grants to States	84.027	None	6,895	
<b>Total Special Education Cluster</b>			<b>12,118,860</b>	<b>10,190</b>
Title I, Part A Cluster:				
Florida Department of Education:				
Title I Grants to Local Educational Agencies	84.010	212, 219, 222, 223, 226, 228	8,686,406	189,421
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	212, 223, 226	3,259,457	24,108
<b>Total Title I, Part A Cluster</b>			<b>11,945,863</b>	<b>213,529</b>
Education for Homeless Children and Youth Cluster:				
Florida Department of Education:				
Education for Homeless Children and Youth	84.196	127	110,486	
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	127	75,337	
<b>Total Education for Homless Children and Youth Cluster</b>			<b>185,823</b>	
Educational Technology State Grants Cluster:				
Florida Department of Education:				
Education Technology State Grants	84.318	121	130,756	
ARRA - Education Technology State Grants, Recovery Act	84.386	121	42,677	
<b>Total Educational Technology State Grants Cluster</b>			<b>173,433</b>	
State Fiscal Stabilization Fund Cluster:				
Florida Department of Education:				
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	591	14,468,203	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	592	1,508,739	
<b>Total State Stabilization Fund Cluster</b>			<b>15,976,942</b>	

**MANATEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
For the Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)	Amount Provided to Subrecipients
<b>United States Department of Education (Continued):</b>				
Indirect (Continued):				
Florida Department of Education:				
Adult Education - Basic Grants to States	84.002	191, 193	427,387	
Migrant Education - State Grant Program	84.011	217	915,548	
Career and Technical Education - Basic Grants to States	84.048	161	634,090	
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	145,115	
Charter Schools	84.282	298	58,258	
Twenty-First Century Community Learning Centers	84.287	244	2,156,334	
English Language Acquisition Grants	84.365	102	575,088	
Improving Teacher Quality State Grants	84.367	224	1,499,212	
School Improvement Grants	84.377	126	61,726	
Sarasota County District School Board:				
Career and Technical Education - Basic Grants to States	84.048	None	38,460	
State College of Florida, Manatee - Sarasota:				
Career and Technical Education - Basic Grants to States	84.048	None	61,554	
<b>Total Indirect</b>			<b>6,572,772</b>	<b>223,719</b>
<b>Total United States Department of Education</b>			<b>51,919,815</b>	<b>223,719</b>
<b>United States Department of Homeland Security:</b>				
Indirect:				
Florida Division of Emergency Management Hazard Mitigation Grant	97.039 (2)(B)	FEMA-07HM-033	662,777	
<b>United States Department of Defense:</b>				
Direct:				
Army Junior Reserve Officers Training Corps	None	N/A	498,590	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 67,037,711</b>	<b>\$ 223,719</b>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2009-10 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance:  
 (A) National School Lunch Program - Represents the amount of donated food received during the 2009-10 fiscal year. Donated foods are valued at fair value as determined at the time of donation by the Florida Department Agriculture and Consumer Services, Bureau of Food Distribution.  
 (B) Hazard Mitigation Grant - This amount represents the Federally-paid portion for the two emergency shelter generators.

**MANATEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be a material weakness(es)?	Yes
Type of report the auditor issued on compliance for major programs:	Unqualified for all major programs except for the Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391 - ARRA) and the Twenty-First Century Community Learning Centers (CFDA No. 84.287), which were qualified.
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB <i>Circular A-133</i> ?	Yes
Identification of major programs:	Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559); Title I, Part A Cluster (CFDA Nos. 84.010 and 84.389 - ARRA); Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391 - ARRA); Fund for the Improvement of Education (CFDA No. 84.215); Twenty-First Century Community Learning Centers (CFDA No. 84.287); and State Fiscal Stabilization Fund Cluster (CFDA Nos. 84.394 - ARRA and 84.397 - ARRA)
Dollar threshold used to distinguish between Type A and Type B programs:	\$2,011,131
Auditee qualified as low-risk auditee?	Yes

**MANATEE COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Federal Awards Finding No. 1:**

**Federal Agency: United States Department of Education**

**Pass-Through Entity: Florida Department of Education**

**Program: Special Education Cluster (CFDA Nos. 84.027)**

**Finding Type: Material Noncompliance and Material Weakness**

**Questioned Costs: \$1,399,422**

**Matching, Level of Effort, Earmarking – Early Intervention Earmark.** The Individuals with Disabilities Education Act (IDEA) provides funds for services to children with disabilities, including early intervention, special education, and related services. Title 34, Section 300.226, Code of Federal Regulations, limits the District to use no more than 15 percent of the amount received under Part B of the Act, in combinations with other amounts, to develop and implement early intervention services for students who are not currently identified as needing special education or related services. The Florida Department of Education (FDOE) determined that the District had significantly disproportionate data for race or ethnicity of students with disabilities, requiring the District to set aside 15 percent of its IDEA funds for coordinated early intervention services (CEIS). Expenditures for CEIS could include personnel costs, such as behavioral specialists, exceptional student education teachers, paraprofessionals, and other staff, to reduce the significantly disproportionate data.

The District identified students as eligible for Special Education program regular instruction, such as reading, speech, behavioral, and emotional, based on individual educational plans prepared yearly that include annual goals for the students. Students identified for CEIS receive remediation through the general education setting, typically by a general education teacher under the guidance of a behavioral specialist or exceptional student education specialist.

FDOE awarded the District \$9,329,480 for the 2009-10 fiscal year Special Education program and the District was required to set aside \$1,399,422, representing 15 percent of the total of these awards, for CEIS. However, District records did not evidence the identification of CEIS expenditures because, according to District personnel, they were unable to provide detailed tracking for CEIS. District personnel also indicated that while they are currently following FDOE's directive to reserve 15 percent of IDEA funds for intervening services, the tracking of intervening services provided has not been current. Subsequent to our inquiry, in January 2011, the District provided a list of teachers and paraprofessionals as documentation that the District met the required 15 percent allocation for CEIS; however, these records did not correlate the employees' services to CEIS. To correlate District records to CEIS, personnel activity reports or alternative records could be maintained to demonstrate how the District complied with this requirement. Without such, the District incurred questioned costs totaling \$1,399,422, contrary to Federal regulations.

**Recommendation: The District should establish procedures to ensure that coordinated early intervention services are provided for Special Education programs. Additionally, the District should document to the grantor (Florida Department of Education) the allowability of the questioned costs, totaling \$1,399,422, for the required coordinated early intervention services, or restore the questioned costs to the program.**

District Contact Person: Nancy Beal, Director of Exceptional Student Education

**Federal Awards Finding No. 2:**  
**Federal Agency: United States Department of Education**  
**Pass-Through Entity: Florida Department of Education**  
**Program: Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391-ARRA)**  
**Finding Type: Noncompliance and Significant Deficiency**  
**Questioned Costs: \$459,718**

**Matching, Level of Effort, Earmarking – Maintenance of Effort.** Title 34, Sections 300.203 and 300.204, Code of Federal Regulations, require that the amount of State and local funds expended by the District on special education related services during the audit period be at least equal, in total or average per capita, to that of the prior fiscal year. Allowances for decreases in maintenance of effort may be made for certain reasons such as the departure of special education personnel; a decrease in the enrollment of students with disabilities; and the termination of costly expenditures for long-term purchases, such as the acquisition of equipment and the construction of school facilities.

The District did not have procedures to monitor its compliance with the maintenance of effort requirements during the 2009-10 fiscal year, and District records indicated that State and local expenditures, in total and average per capita, decreased from the 2008-09 fiscal year to the 2009-10 fiscal year, as shown below:

Source	Fiscal Years		Difference	Amounts
	2008-09	2009-10		
State and Local Expenditures for Special Education Services	\$ 6,218,774	\$ 5,729,708	\$ 489,066	\$ 489,066
Full-Time Equivalent (FTE) Enrollment in Special Education	9,750	9,704	46	
Average Expended Per Capita (FTE)	\$ 638	\$ 590	\$ 48	
Allowance for Decrease in FTE (46 FTE Decrease X \$638 Average Expended for 2008-09 Fiscal Year)				(29,348)
Deficiency in Expenditures of State and Local Resources				<u>\$ 459,718</u>

District records did not evidence that the District met a qualified exemption from the maintenance of effort requirement. Therefore, the deficiency in maintenance of effort from State and local funds totaling \$459,718 represents questioned costs subject to disallowance by the grantor. Without procedures to monitor applicable maintenance of effort requirements, the risk increases that State and local funds will not be properly allocated and expended for special education services.

**Recommendation: The District should establish controls over State and local resources allocated and expended for District Special Education programs to ensure compliance with Federal maintenance of effort requirements. In addition, the District should document to the grantor (Florida Department of Education) how the District complied with the Federal maintenance of effort requirement or restore \$459,718 to the Special Education programs.**

District Contact Person: Jim Drake, Assistant Superintendent of Business Services

**Federal Awards Finding No. 3:**  
**Federal Agency: United States Department of Education**  
**Pass-Through Entity: Florida Department of Education**  
**Program: Twenty-First Century Community Learning Centers (CFDA No. 84.287)**  
**Finding Type: Material Noncompliance and Material Weakness**  
**Questioned Costs: \$209,720**

**Matching, Level of Effort, Earmarking - Matching.** Title 34, Section 80.24, Code of Federal Regulations, states, in part, that costs and contributions counting toward satisfying a cost sharing or matching requirement must be

verifiable from the records of the grantees and subgrantees. Further, United States Office of Management and Budget *Circular A-87*, provides that where employees are expected to work on multiple activities, personnel activity reports should be maintained to support salary and wage charges to Federal awards.

The District received three Twenty-First Century program academic year and summer program grants from FDOE, and two of the grants contained matching requirements. Expenditures for the 2009-10 fiscal year totaled \$490,482 and \$1,152,315, and matching requirements totaled \$94,000 and \$115,720, respectively, or a total of \$209,720, for two of the academic year and summer program grants. According to grant awards, various items comprised the in-kind matching requirements, such as academic and recreational activities, curriculum, paid staffing, mentoring, and extended care services from partners and contributors.

Upon our inquiry, District personnel provided letters from two agencies for in-kind matching costs, totaling \$129,940, for items such as contributions for paid staff provided by one of the agencies, supplies, technology, publications, member insurance, transportation, and mentoring. However, for one agency, no invoices or other documentation were provided to document \$124,426 of contributions for paid staff, supplies, technology, publications, member insurance, and transportation. Also, for the other agency that provided mentoring services valued at \$5,514, no time records were maintained, such as sign-in and out sheets, to document the time worked on the grants. In addition, the District did not provide any support for the remaining matching requirement for the two grants of \$79,780. As a result, 100 percent of the matching requirements for these two grants, totaling \$209,720, represent questioned costs of the program subject to disallowance by the grantor.

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**Recommendation:** The District should establish procedures to ensure that Federal matching requirements are met and properly supported. In addition, the District should document to the grantor the allowability of these questioned costs, totaling \$209,720, or restore these moneys to the Twenty-First Century program.

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District Contact Person: Patricia Dezso, Project Director

**Federal Awards Finding No. 4:**  
**Federal Agency:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Special Education Cluster (CFDA Nos. 84.027, 84.173, and 84.391-ARRA)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** Not Applicable

**Allowable Costs/Cost Principles – Compensation of Personnel Services.** United States Office of Management and Budget (OMB) *Circular A-87*, Attachment A, Section C.1, provides in part, that costs must be adequately documented to be allowable under Federal awards. In addition, OMB *Circular A-87* provides that charges to Federal awards for salaries and wages be based on payrolls documented in accordance with generally accepted practices of the governmental unit and approved by a responsible official. Where employees are expected to work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by monthly personnel activity reports or equivalent documentation. These reports must reflect an after-the-fact distribution of the actual activity of each employee and must be signed by the employee. Where employees are expected to work solely on a single Federal award or cost objective, charges for salaries and wages are to be supported by periodic certifications, prepared at least semiannually, that the employees worked solely on that program for the period of the certification.

The District recorded salary and benefit expenditures for the Special Education programs totaling \$9,949,680. Our tests of Special Education program salary and benefit payments for 35 employees totaling \$2,292,337 disclosed that

the District did not initially maintain semiannual certifications, personnel activity reports, or equivalent documentation to support these Federal expenditures, contrary to Federal requirements. Subsequent to our inquiry, the employees documented that their duties and responsibilities were properly charged to the programs. When personnel activity reports or other evidence to delineate the job responsibilities and work activities are not properly maintained, there is an increased risk that personnel costs may be inappropriately charged to a Federal program. Similar findings were noted in several of the previous audit reports.

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**Recommendation:** The District should enhance its procedures to ensure that employees who perform services for Federal programs maintain the required documentation to support salary and benefit expenditures.

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District Contact Person: Nancy Beal, Director of Exceptional Student Education

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**Federal Awards Finding No. 5:**  
**Federal Agency:** United States Department of Education  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Title I Grants to Local Educational Agencies (CFDA No. 84.010)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** \$13,730

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**Period of Availability.** Title 34, Section 80.23, Code of Federal Regulations, provides that where a funding period is specified in a Federal award, a grantee may charge to the award only costs resulting from obligations incurred during the funding period unless carryover of unobligated balances is permitted, in which case the carryover balances may be charged for costs resulting from obligations of the subsequent funding period. The District received a Title I Grant totaling \$8,293,549, which had a 2009-10 fiscal year grant period. Our review of selected expenditures charged to the current grant disclosed \$13,730 in travel expenditures that were incurred in July 2010. Since these payments were for services performed outside of the period of availability for the grant, these payments represent questioned costs subject to disallowance by the grantor. On August 31, 2010, subsequent to audit inquiry, the District reimbursed the grant the questioned costs.

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**Recommendation:** The District should enhance its procedures to ensure that Federal awards are only charged for costs resulting from obligations incurred during the funding period.

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District Contact Person: Diane Nichols, Director of Title I

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**Federal Awards Finding No. 6:**  
**Federal Agency:** United States Department of Agriculture  
**Pass-Through Entity:** Florida Department of Education  
**Program:** Child Nutrition Cluster (CFDA Nos. 10.553, 10.555, and 10.559)  
**Finding Type:** Noncompliance and Significant Deficiency  
**Questioned Costs:** \$47,636

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**Allowable Cost/Cost Principles.** United States Office of Management and Budget *Circular A-87* provides principles for determining allowable costs, including indirect costs that may be allocated to a Federal program. Indirect costs are costs that are incurred for a common or joint purpose, are not readily assignable to the cost objectives specifically benefited without efforts disproportionate to the results achieved, and are calculated by multiplying allowed costs by an approved indirect cost rate. To ensure consistent indirect cost rate computations and application of the rate to allowable expenditures, the Florida Department of Education (FDOE) published instructions for use by district school boards. The instructions require, in part, that school districts exclude the cost of food service program food

supplies from the computation of indirect cost rate and from the expenditures to which the indirect cost rate is applied.

For the 2009-10 fiscal year, the District excluded the cost of food service program supplies from the computation of the indirect cost rate, but applied its FDOE-approved indirect cost rate of 5.47 percent to food service program total expenditures, including food service program supply costs totaling \$870,860, resulting in indirect cost overcharges and questioned costs totaling \$47,636.

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**Recommendation:** The District should enhance procedures to ensure that it calculates indirect costs pursuant to guidance from the Florida Department of Education, and restore \$47,636 to the food service program.

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District Contact Person: Jim Drake, Assistant Superintendent of Business Services

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**PRIOR AUDIT FOLLOW-UP**

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Except as discussed in the preceding paragraphs, and the **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS**, the District had taken corrective actions for findings included in previous reports.

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**MANAGEMENT’S RESPONSE**

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Management’s response is included as Exhibit A.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

*MANATEE COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
CPA Associates Federal 08-9 Federal 09-10	Special Education Cluster(CFDA Nos. 84,027 and 84,173), Fund for the Improvement of Education (CFDA No. 84.215), and Twenty-First Century Community Learning Centers (CFDA 84.287)/ Allowable Costs/Cost Principles - Salary and Benefits Charges	The District should enhance procedures to properly document and support the allocation of salaries and benefits charged to Federal programs.	Not Corrected.	The District is in the process of enhancing procedures to properly document and support the allocation of salaries and benefits charged to Federal programs. The grantors did not require the repayment of questioned costs.
Federal 08-11 Federal 09-11	Child Nutrition Cluster (CFDA Nos. 10,553, 10,555, and 10,559)/ Allowable Costs/Cost Principles - Workers' Compensation Cost Allocation	The District should develop a workers' compensation cost allocation plan and apply the cost consistently and uniformly to both Federal and non-Federal governmental programs.	Corrected.	A uniform allocation plan was developed and applied consistently.

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EXHIBIT A  
MANAGEMENT'S RESPONSE



SCHOOL BOARD

Robert C. Gause  
*Chair*

Harry G. Kinnan  
*Vice Chair*

Julie B. Aranibar  
Karen Carpenter  
Barbara A. Harvey

SUPERINTENDENT

Tim McGonegal

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SCHOOL DISTRICT OF MANATEE COUNTY

February 25, 2011

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

Dear Mr. Martin:

Noted below are Manatee County District School Board's responses to the preliminary and tentative audit findings and recommendation for the 2009-2010 fiscal year audit of Federal expenditures. Implementation of these recommendations serves to increase accountability and promote effective and efficient operations throughout the District.

**Federal Awards Finding No. 1 – Matching, Level of Effort, Earmarking – Early Intervention Earmark**

**The District did not properly adequately document charges to Special Education programs for coordinated early intervention services, resulting in \$1,399,422 of questioned costs.**

Response:

The District has established procedures that will more clearly document that coordinated early intervention services that the District provides. The District will provide documentation to the grantor as to the allowability of the questioned costs.

**Federal Awards Finding No. 2 - Matching, Level of Effort, Earmarking – Maintenance of Effort**

**District records did not evidence that the District met the maintenance of effort requirement for Special Education programs, resulting in \$459,718 of questioned costs.**

Response:

The District has established controls over State and local resources allocated and expended for District Special Education programs to ensure compliance with Federal maintenance of effort requirements. The District will provide documentation to the grantor demonstrating how the District complied with the Federal maintenance of effort requirements.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

**Federal Awards Finding No. 3 – Matching, Level of Effort, Earmarking – Matching**

The District did not sufficiently document that it had met the matching requirements for the Twenty-First Century program, resulting in \$209,720 of questioned costs.

Response:

The District will establish procedures to ensure that Federal matching requirements are met and properly supported. The District will document to the grantor the allowability of the questioned costs.

**Federal Awards Finding No. 4 – Allowable Costs/Cost Principles – Compensation of Personnel Services**

Required documentation to support personnel charges, totaling \$2,292,337, for 35 employees performing services for the Special Education program were not maintained, contrary to Federal regulations.

Response:

The District is continuing to enhance its procedures to ensure that employees who perform services for Federal programs maintain the required documentation to support salary and benefit expenditures. Subsequent to the audit period, the District's Finance Department began receiving and maintaining the required documentation supporting personnel charges for these 35 employees as it does for the other Federal grants.

**Federal Awards Finding No. 5 – Period of Availability**

The District charged expenditures to the Title I program for obligations that were not incurred within the grant period, resulting in \$13,730 of questioned costs.

Response:

The District will enhance its procedures to ensure that Federal awards are only charged for costs resulting from obligations incurred during the funding period. As noted, the District has already reimbursed the grant the questioned costs.

**Federal Awards Finding No. 6 – Allowable Costs/Cost Principles**

The District's procedures were not adequate to ensure indirect costs were properly calculated for the food service program, resulting in \$47,636 of questioned costs.

**EXHIBIT A**  
**MANAGEMENT'S RESPONSE (CONTINUED)**

Response:

The District has reviewed its procedures relating to the way indirect costs are calculated and made the appropriate modifications. The District has restored \$47,636 to the food service program.

We appreciate the professionalism and courtesy of the audit staff throughout the process. Please feel free to contact Mr. Jim Drake, Assistant Superintendent for Business Services, at 941-708-8770, extension 2110 if you have any questions.

Sincerely,



Jim McGonegal, Superintendent  
Manatee County School District