

# THE FLORIDA SCHOOL FOR THE DEAF AND THE BLIND

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## Operational Audit



## BOARD MEMBERS AND PRESIDENT

Members of the Board of Trustees and President who served during the period July 1, 2010, through February 29, 2012, are listed below:

	<u>Residence</u>
<i>Christopher D. Wagner, Chair</i>	<i>Bradenton</i>
<i>Edgar M. Turner, Vice Chair to 8-12-2010 (1)</i>	<i>Pensacola</i>
<i>Owen B. McCaul, Vice Chair from 8-13- 2010</i>	<i>Tallahassee</i>
<i>Yolanda A. Rodriguez</i>	<i>Plantation</i>
<i>Carol M. Ross</i>	<i>Tallahassee</i>
<i>Gerald Weedon</i>	<i>Jacksonville</i>
<i>Dr. Thomas M. Zavelson</i>	<i>Gainesville</i>
 <i>L. Daniel Hutto, President</i>	

Note:

- (1) Member's term expired February 7, 2011. Continued as de facto member.

The audit team leader was Dennis W. Gay, CPA, and the audit was supervised by Randy R. Arend, CPA. Please address inquiries regarding this report to Marilyn D. Rosetti, CPA, Audit Manager, via e-mail at [marilynrosetti@aud.state.fl.us](mailto:marilynrosetti@aud.state.fl.us) or by telephone at (850) 412-2881.

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## THE FLORIDA SCHOOL FOR THE DEAF AND THE BLIND

### SUMMARY

Our operational audit disclosed the following:

#### CAPITAL OUTLAY AND CONSTRUCTION ADMINISTRATION

**Finding No. 1:** The School's Legislative Budget Request for Public Education Capital Outlay funding was not adequately supported.

**Finding No. 2:** The School needed to enhance its controls over subcontractor selection for construction management projects and review of construction manager invoices.

#### PAYROLL AND PERSONNEL ADMINISTRATION

**Finding No. 3:** The School did not always document compliance with Florida Department of Management Services Rules regarding dual employment compensation, classification actions, and pay supplements.

#### PROCUREMENT

**Finding No. 4:** The School's administration of purchasing cards needed improvement.

#### STUDENT BANK

**Finding No. 5:** Procedures governing the use of Student Bank advances were not always consistently applied.

### BACKGROUND

The Florida School for the Deaf and the Blind (School) operates under the leadership and direction of its Board of Trustees (Board), pursuant to Section 1002.36(4), Florida Statutes. The Board consists of seven members who are appointed by the Governor and confirmed by the Senate. One of its members must be a blind person, and one must be a deaf person. Each member is required to have been a Florida resident for at least ten years and the term of office for each member is four years.

The Board adopts rules, subject to the approval of the State Board of Education, as it considers necessary to operate the School in conjunction with the rules of the State Board of Education. The rules adopted by the Board are published in the Florida School for the Deaf and the Blind Rules, Chapter 6D, Florida Administrative Code. The Board exercises control of the School through a Board-appointed president, who is the chief administrative officer of the School and appoints and supervises all other School employees. The School's purchasing procedures are governed by Chapter 287, Florida Statutes, and rules of the Florida Department of Management Services. Personnel matters are governed by Department of Management Services Rules, Chapter 60L, Florida Administrative Code, as appropriate for the position.

The School is part of the State system of public education and is funded through the Florida Department of Education. The Legislature appropriates fixed capital outlay moneys to the School on an annual basis from the Public Education Capital Outlay and Debt Service Trust Fund, pursuant to Article XII, Section 9(a)(2) of the State Constitution, as amended.

Most of the School’s students participate in the residential program and live in dormitories on campus during the week, while approximately 30 percent of the students are day-students from St. Augustine and surrounding counties. Students in the residential program are bused home on weekends and holidays.

As of March 31, 2012, the School had 684 authorized employee positions and 656 filled employee positions, and a peak enrollment of 603 students during the period July 1, 2010, through February 29, 2012. In addition, the School received State operating appropriations of \$46,166,818 and \$45,620,827, and Public Education Capital Outlay appropriations of \$5,032,566 and \$5,151,271, for the 2010-11 and 2011-12 fiscal years, respectively.

**FINDINGS AND RECOMMENDATIONS**

**Capital Outlay and Construction Administration**

**Finding No. 1: Legislative Budget Request and Facilities Master Plan**

Pursuant to Section 1002.36(4)(f)1., Florida Statutes, the School must prepare and submit legislative budget requests (LBRs) for operations and fixed capital outlay, in accordance with Chapter 216, and Sections 1011.56 and 1013.60, Florida Statutes, to the Florida Department of Education (DOE) for review and approval, and the DOE must analyze the amount requested for fixed capital outlay to determine if the request is consistent with the School’s campus master plan, educational plant survey, and facilities master plan. Additionally, pursuant to Section 216.0158, Florida Statutes, the School must develop a five-year plan of facility needs that provides a five-year schedule for preventative maintenance, replacement, improvement, or construction of facilities on a specific project-by-project basis. The law also provides that each plan, for years two through five, shall provide a full explanation of the basis for each project, including a description of the function that requires the facility; an explanation of the inability of existing facilities to meet such requirements; historical background; alternatives; and anticipated changes in both initial and continuing operating costs.

The School’s *Facilities Master Plan (Plan)* served as the primary supporting document for the School’s annual fixed capital outlay budget request for Public Education Capital Outlay (PECO) funding from the Legislature. The *Plan* showed the School’s PECO funding needs for a five-year period. The May 2008 *Plan*, covered the 2009-10 through 2013-14 fiscal years, and documented the School’s plans to expend approximately \$68.8 million on capital projects, maintenance, and related items during the five-year period. The School partially updated the May 2008 *Plan* to prepare its subsequent annual LBRs for PECO funding. The School’s 2013-14 fiscal year LBR, the most recent LBR, which was submitted to the DOE in June 2012, projected PECO funding needs of \$48.6 million for the 2013-14 through 2017-18 fiscal years and is summarized in Table 1 below.

**Table 1**

	<b>2013-14 Fiscal Year Fixed Capital Outlay LBR</b>					
	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>Total</b>
Major Renovations and New Construction:						
Campus Infrastructure	\$	\$ 3,120,000	\$ 3,307,500	\$ 3,472,875	\$ 3,646,520	\$ 13,546,895
Other Specified Projects	6,672,475	3,440,000	3,150,000	2,880,000	2,600,000	18,742,475
<b>Total Major Renovations and New Construction</b>	<b>6,672,475</b>	<b>6,560,000</b>	<b>6,457,500</b>	<b>6,352,875</b>	<b>6,246,520</b>	<b>32,289,370</b>
Building Maintenance	2,777,346	2,852,334	2,929,347	3,008,440	3,089,668	14,657,135
Campus Wide Site	298,551	306,612	314,890	323,392	332,124	1,575,569
Facilities Master Plan Update	20,000	10,000	10,000	10,000	10,000	60,000
<b>Total</b>	<b>\$ 9,768,372</b>	<b>\$ 9,728,946</b>	<b>\$ 9,711,737</b>	<b>\$ 9,694,707</b>	<b>\$ 9,678,312</b>	<b>\$ 48,582,074</b>

Source: Legislative Budget Request for 2013-14 fiscal year

Our review disclosed the following:

- **Campus Infrastructure.** The School requested Campus Infrastructure funding totaling \$13.5 million in its 2013-14 fiscal year LBR, although the updated *Plan* identified infrastructure needs totaling only \$12 million. In response to our inquiries, the School’s Director of Facilities advised us that the \$1.5 million difference was due to a 5 percent annual inflation factor; however, School records did not evidence the reasonableness and necessity of the inflation factor. In addition, the *Plan*, as updated for the 2013-14 fiscal year LBR, was not fully supported with engineering studies and cost estimates for the Campus Infrastructure appropriation category (a subpart of Major Renovations and New Construction). Table 2 below compares the estimated construction costs from the School’s several infrastructure engineering studies to the 2013-14 fiscal year updated *Plan*.

**Table 2**

Infrastructure Studies	Infrastructure Study Estimated Construction Costs	Plan Projected Construction Costs	Plan Over (Under) Estimated Construction Costs
Communication	\$ 9,152,605	\$ 7,000,000	\$ (2,152,605)
Bulkhead (1)	640,000	1,000,000	360,000
Stormwater and Sewer (1) (2)	127,063	1,000,000	872,937
Roadways and Parking (1) (2)	544,562	3,000,000	2,455,438
Total	<u>\$ 10,464,230</u>	<u>\$ 12,000,000</u>	<u>\$ 1,535,770</u>

Notes: (1) The sum of these three studies totals \$1,311,625 in estimated construction costs.  
 (2) These studies were for the back portion of the campus only.

Source: School Records

The engineering studies for bulkhead, stormwater and sewer, and roadways and parking projects projected total costs of \$1,311,625; however, the *Plan* estimated these costs to be \$5 million, or \$3.7 million more than the studies. In response to our inquiries, the School’s Director of Facilities advised us that the additional funds were requested to provide a cushion in the event the engineering study estimates were low and to include estimated costs of stormwater and sewer and roadway and parking projects for another portion of the campus that was not included in the engineering studies. The Director of Facilities further advised us that the request for the communication project was \$2.15 million less than the engineering study projected costs because a portion of the project had been completed during a previous campus infrastructure project. As a result, several of the School’s cost estimates for planned projects were not supported by reports or studies.

- **Building Maintenance.** The School’s *Plan* projected funding needs for Building Maintenance based on estimated “total system renovation cost” per building as determined from a Facilities Condition Index (FCI) and building-condition assessments, and did not contain a detailed per-year maintenance-needs schedule. The 2013-14 fiscal year LBR contained a similar schedule of projected building maintenance renovation costs that calculated the 2013-14 fiscal year funding request by multiplying the total renovation cost amount shown for all of the School’s buildings (approximately \$55.55 million) by 5 percent, and projecting subsequent requests through the 2017-18 fiscal year by increasing the requested amount for the 2013-14 fiscal year by 2.7 percent for each succeeding fiscal year, projecting total funding needs of \$14.65 million for the five-year period.

The 2013-14 fiscal year LBR for Building Maintenance, as updated from the *Plan*, disclosed that the specific maintenance-related projects to be funded by such appropriations were not identified. The School’s 2013-14 fiscal year LBR prioritized items considered to fall under Building Maintenance as follows: (1) Life/Safety Concerns; (2) Preventative Maintenance (roofs, HVAC, controls, plumbing, and electrical); (3) Short-term Concerns (may not require immediate attention, but would maximize efficiency of a facility or systems); (4) Long-term Requirements (interior finishes); and (5) Building Improvements. In July 2012, after submitting the 2013-14 LBR, the School submitted amended schedules similar to its *Plan* support in an effort to specifically identify projects for maintenance funds to comply with Section 216.0158, Florida Statutes. The

amended support indicated that specific maintenance projects were those building components used in the FCI calculation with an FCI of 80 to 100 percent. The amended schedules identified 160 different building components<sup>1</sup> that had an FCI ranging from 80 to 100 percent with estimated costs totaling \$23.1 million. However, the various components were not organized or identified on a project-by-project basis. Consequently, it was not evident from the School's 2013-14 fiscal year LBR how the School's projected funding needs for Building Maintenance applied to specific projects.

- **Campus Wide Site.** The maintenance projections in the Plan and 2013-14 fiscal year LBR also included a maintenance category referred to as Campus Wide Site (Site), which projects maintenance needs of \$1.6 million over five years. The 2013-14 fiscal year LBR indicated Site was for annual routine maintenance on site requirements such as, but not limited to: roads, bridges, sidewalks, covered walkways, fences and gates, sewer and water treatment, stormwater and retention ponds, wells and pumping systems, environmental remediation, termite protection, utilities, bulkhead, and athletic fields and courts. The School's annual maintenance for Site was calculated by multiplying the total renovation cost amount shown for all the School's buildings (approximately \$55.55 million) by 10 percent and then multiplying this amount by 5 percent, plus building condition assessments for site structures such as gazebos, pavilions, storage, etc., of \$20,816, resulting in a total of \$298,551 for Campus Wide Site for the 2013-14 fiscal year, with an annual increase of 2.7 percent. However, the specific projects to be funded by such appropriations were not identified, nor was it otherwise evident from School records how the School's projected funding needs for Site projects applied to specific projects.

The School's *Plans* or other supporting documentation should clearly identify the proposed use of requested funds to comply with Section 216.0158, Florida Statutes, to adequately support the School's LBRs, and as a good business practice. A consistent flow of information, or explanations as to why inconsistencies may exist, provides users a transparent method to understand the current and future needs of the School, and shows how the needs for one year flow into the School's projections and subsequent future funding requests. Absent comprehensive, consistent, and properly supported *Plans* that include specific identification of capital and maintenance-related projects, there is an increased risk that the School will request PECO appropriations in an inefficient manner.

Similar findings were noted in our report Nos. 2009-212 and 2011-150. In his response to report No. 2011-150, the President indicated disagreement with our finding as it relates to building maintenance and campus wide site and advised that an Attorney General opinion would be sought regarding this issue. However, as of June 20, 2013, an Attorney General opinion had not been sought.

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**Recommendation:** The School should review and revise its *Plan* and fixed capital outlay LBR methodology, as appropriate, to ensure that funding needs for Campus Infrastructure, Building Maintenance, and Campus Wide Site are specifically identified and prioritized as required by law, and supported by adequate documentation.

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## **Finding No. 2: Construction Management**

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Pursuant to Section 1013.45(1), Florida Statutes, the School may contract for the construction or renovation of facilities with a construction management (CM) entity. Under the CM process, contractor profit and overhead are

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<sup>1</sup> The School's *Plan* identified 43 individual buildings in four separate major systems and 26 component areas that comprise the FCI as follows: Exterior System, which includes walls, windows, door, roof, and coating and caulk; Interior System, which includes walls, doors, floor, ceiling, casework, paint, specialties, and kitchen; Mechanical, Electrical, and Plumbing System, which includes mechanical, controls, electrical, electrical fixtures, data, plumbing, and plumbing fixtures; and Life Safety System, which includes fire alarm, sprinkler, exit rating, elevators, security, and emergency lights.

contractually agreed upon, and the CM is responsible for scheduling and coordinating the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. Under guaranteed maximum price (GMP) contracts, the School may realize cost savings if the cost of construction is less than the GMP. As such, a GMP contract requires School personnel to closely monitor construction costs.

We reviewed the School's administration of GMP contracts totaling approximately \$8 million through February 29, 2012, for the Chilled and Heated Water (\$6.8 million) and Collins House Renovation (\$1.2 million) projects. Our review disclosed that the School could enhance its controls over construction contracting, as discussed below:

- The School's CM agreements required a minimum of two verbal quotes for contracts between \$1,001 and \$10,000 and that, upon receipt of the quotes, the lowest responsible quote be selected. Our review disclosed that School records did not evidence that verbal quotes were obtained for five subcontracts ranging from \$1,596 to \$9,372, and totaling \$19,318. Documentation of verbal quotes is necessary to evidence that subcontracts are properly awarded. Subsequent to our inquiries, the School requested and received documentation of the verbal quotes from the CM. A similar finding was noted in our report Nos. 2009-212 and 2011-150.
- The School overpaid the CM by a net amount of \$1,294 as a result of mathematical errors in a CM invoice that were not detected by School personnel. Subsequent to our inquiries, the School contacted the CM entity and recovered the overpayment.

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**Recommendation:** The School should enhance its procedures to ensure that subcontractors selected for contracts not exceeding \$10,000 are pursuant to documented competitive verbal quotes. The School should also ensure that CM invoices are adequately supported and mathematically correct prior to payment.

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<b>Payroll and Personnel Administration</b>
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**Finding No. 3: Dual Employment, Classifications, and Pay Supplements**

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School personnel are comprised of Board positions, such as teachers and academic administrators, as well as career service and selected exempt service positions that are subject to Florida Statutes and Florida Department of Management Services (DMS) rules and guidelines. As of March 2012, the School was authorized 349 career service, 95 selected exempt service, and 240 Board positions.

Section 110.2035, Florida Statutes, provides, in part, that DMS is responsible for establishing and maintaining a classification and compensation program addressing career service and selected exempt service positions. This section further provides that DMS is responsible for adopting rules necessary to govern the administration of the classification plan. The School's payroll and personnel system is also governed by the Board's *Human Resources Management and Development Policies and Procedures Manual (Manual)* and *Employee Handbook (Handbook)*.

Our tests of the School's procedures over payroll and personnel administration for 28 employees disclosed that, although the School generally complied with applicable laws, rules, regulations, and the Board's *Manual* and *Handbook*, improvements were needed as discussed below.

**Dual Employment.** DMS Rule 60L-32.003, Florida Administrative Code, provides that agency (School) approval is required for all requests for dual employment and compensation. The *Manual* provides that an individual may not perform any supplemental assignments until approval is received from Human Resources and the *Handbook* provides that to hold more than one State job an employee must complete a Dual Employment and Compensation Request (DECR) form.

Our tests included seven employees that received compensation totaling \$18,999 during the period July 1, 2010, through February 29, 2012, for dual employment positions without an approved DECR form. The DECR form documents certain dual employment information, including position description, overtime designation, rate of pay, work schedule, funding source, and certification that the work is outside normal work hours. The activities for the seven employees included training, grading assignments, converting instructional materials to braille, and facilitating distance learning. In response to our inquiries, School personnel indicated that DECR forms were not used for these employees because the payments were lump sum and the DECR form was only used for dual employment paid on an hourly basis.

We were able to confirm from additional documentation provided by the School that certain stipends were paid for training attended outside of normal working hours; however, absent an approved DECR form, School records did not evidence that work was performed outside the employee's normal working hours for the other lump-sum payments nor was documentation available to support the basis for the amount paid.

**Classification Actions.** DMS Rule 60L-31.004, Florida Administrative Code, provides, in part, that an agency (the School) does not have authority to reclassify positions between the various services, such as between career service and selected exempt service, without a written delegation of authority by DMS and that any classification action taken must be initiated by preparation of a current position description. The Board's *Manual* provides that position descriptions must be prepared and submitted to the Human Resource Officer for review and classification action when dictated by the needs of the School or department or when an employee is hired into a position. According to the School's Human Resource Officer, the School did not have a written delegation of authority from DMS to reclassify positions.

Our review included 10 employees whose positions were reclassified during the period July 1, 2010, through February 29, 2012. We noted the following:

- One employee's position was changed from career service to selected exempt service and two were changed from selected exempt service to career service without DMS approval. In response to our inquiry, School personnel advised us that the employees' positions were reclassified because the work they performed fit better with the new classification and that DMS approval was not necessary because the positions were on both the career service and selected exempt pay plans. However, School records did not evidence DMS written delegation of authority for these reclassifications.
- Another classification action did not have a current position description. A selected exempt service position had a classification action on August 5, 2011, from Administrative Assistant II to Administrative Assistant III; however, the position description provided had the same duties and responsibilities as the previous position. In response to our inquiry, School personnel advised us that the classification action was made because the position it reported to was changed to a higher level and the position description did not change. However, absent documented changes in the position description, the purpose for the classification action was not evident.

**Pay Supplements.** DMS Rule 60L-32.0011, Florida Administrative Code, provides that an agency may increase an employee's base rate of pay within the established pay band (i.e., pay range) at any time, based upon documented justification, provided funds are available for the increase, and the increase is not specifically prohibited by law. DMS Rule 60L-32.0012, Florida Administrative Code, provides for salary additives or temporary increases to the base rate of pay for career service employees that include, but are not limited to, shift differential and temporary special duty additive. The *Manual* provides that the School may grant an increase to an employee's base rate of pay between the minimum and maximum of the pay range at any given time if the employee is performing at a satisfactory level, and that such a pay adjustment must be approved by the President. We noted the following for three employees in our tests that received additives or permanent increases to their base rate of pay:

- Two career service employees received temporary special duty additives without justification for the increase on the salary recommendation form, which only indicated the percentage and amount of the increase. One employee received a 20 percent increase and the other employee received a \$1 per hour, or 8 percent increase. In response to our inquiries, the School's Human Resource Officer advised us that the 20 percent increase was for covering supervisor duties while another employee was on family medical leave and the 8 percent increase was for running a bus route with extenuating circumstances. However, these explanations were not documented in School records and there were no guidelines for determining the reasonableness of such increases.
- School records indicated that one selected exempt service employee received a permanent 20 percent increase without justification on the salary recommendation form, which only indicated the percentage and amount of the increase. The School's salary recommendation form included a table with recommended percentage pay increases for increases in job responsibilities for permanent positions, with a maximum increase of 10 percent. In response to our inquiries, the School's Human Resource Officer advised us that the increased job responsibilities and duties for this employee were far greater than contemplated by the maximum 10 percent increase provided for in the schedule. However, this explanation was not documented in the School's records.

When the applicable DMS rules and the Board's *Manual* and *Handbook* are not adhered to, the risk is increased that employees may be classified or compensated contrary to the Board's and management's intent.

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**Recommendation:** The School should revise its procedures as necessary to ensure compliance with applicable DMS rules and the *Manual* and *Handbook*, and improve its documentation of dual employment assignments, classification actions, and pay supplements.

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<b>Procurement</b>
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**Finding No. 4: Purchasing Cards**

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The School's purchasing card (p-card) program is administered pursuant to approval from the Florida Department of Financial Services (DFS) and Florida Department of Management Services under the State's p-card agreement. The School's Operational Policies and Procedures, OPP 1.31, states that the School "is making available to certain School employees delegated authority to make minor purchases directly through a 'Purchasing Card' system. This will allow departments flexibility to purchase small routine materials, supplies and travel accommodations."

The School's OPP 1.31 (p-card policy) lists unauthorized p-card purchases and establishes procedures for cancellation of p-cards when employees terminate. The p-card policy states that food items and meals are not authorized purchases, and specifies that third party billing services, such as PayPal, cannot be used with the p-card. The p-card policy also provides that when an employee terminates employment with the School, the cardholder must relinquish the p-card to his or her immediate supervisor who shall then submit it to the Purchasing Card Administrator to be canceled.

During the period July 1, 2010, through February 29, 2012, the School issued 100 p-cards to employees and had p-card purchases of approximately \$1.45 million. Our review of p-card purchases from selected vendors and procedures over the cancellation of p-cards for terminated employees disclosed the following:

- Contrary to the p-card policy, four cardholders made 5 purchases totaling \$376 through third party billing services.
- Contrary to the p-card policy, seven cardholders made 9 purchases totaling \$1,054.29 for food items and one cardholder made 23 purchases for \$609.80 in meals.

- The School did not timely cancel p-cards for two terminated employees. P-cards for these employees were canceled 7 and 23 days, respectively, after the dates on which the employees terminated employment. A similar finding was noted in our report No. 2011-150.

In response to our inquiries, the School's Comptroller indicated that most of the items noted were known exceptions to the p-card policy; however, documentation was not provided evidencing that the exceptions were known and explained. When the School's p-card policies and procedures are not followed, there is an increased risk of misuse or unauthorized charges occurring without timely detection.

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**Recommendation:** The School should ensure that purchasing card charges are properly reviewed prior to payment, allowable exceptions to the p-card purchasing guidelines adequately explained and documented, and terminated employees' cards timely canceled.

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<b>Student Bank</b>
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**Finding No. 5: Student Bank Advances**

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The School frequently used moneys received from gifts, donations, bequests, and funds raised by or belonging to student clubs or student organizations, to make cash advances from the Student Bank to School employees for funding a variety of School activities. The School's Operational Policies and Procedures, OPP 1.14, *Internal/Endowment Accounts*, provide that advances for future purchases are generally discouraged except in certain limited circumstances, such as for vendors that do not accept purchasing cards and student group travel. OPP 1.14 also requires that fund custodians approve (sign) advance requisitions, include a statement explaining the reason why an advance is required, and return all original paid invoices or receipts with any unused funds to the Student Bank within 14 calendar days. These procedures further provide that cash advances were to be made by check, not to exceed \$1,200, and require that the purchase of data processing equipment or software be approved by the Director of Technology Services or designee prior to the purchase.

During the period July 1, 2010, through February 29, 2012, the Student Bank maintained cash on hand ranging from \$2,500 to \$12,000 to provide for cash advances. During the 2010-11 and 2011-12 fiscal years the Student Bank made 442 cash advances totaling \$126,233.95. Our review of the supporting documentation for 6 advances totaling \$2,690 made during November and December 2011, and the timeliness of returning documentation for all 442 advances made during the 2010-11 and 2011-12 fiscal years, disclosed the following instances in which School procedures were not followed:

- None of the advance requisitions for the 6 cash advances tested included the reason the advance payment was necessary. The cash advance amounts and purposes were as follows: \$1,500 to purchase inventory for the campus convenience store; \$500 for purchasing two netbook computers; \$400 for student lunches during a two-day off-campus student activity; \$150 for homecoming decorations; \$90 for employee meals during a one-day student field trip; and \$50 for two employee recognition gift cards (\$25 each).
- One of the 6 cash advances tested was for purchasing two netbook computers; however, School records did not evidence preapproval by the Director of Technology Services, contrary to OPP 1.14.
- Of the 442 cash advances, 17 (4 percent) were made in amounts ranging from \$1,300 to \$3,660, which exceeded the \$1,200 limit. Eleven of these cash advances, ranging from \$1,300 to \$1,500, were to purchase inventory for the campus convenience store.
- Of the 442 cash advances, 101 (23 percent) were not timely returned or settled within 14 calendar days. Of these, 43 advances (10 percent) were not returned or settled for 20 or more calendar days.

Failure to ensure that procedures are consistently applied increases the risk that errors or fraud could occur and not be timely detected.

**Recommendation:** The School should ensure procedures governing the use of Student Bank cash advances are consistently applied. The School should also ensure that cash advances are limited to those situations or circumstances where the use of a standard purchase requisition or p-card is not appropriate.

**PRIOR AUDIT FOLLOW-UP**

Except as discussed in the preceding paragraphs, the School had taken corrective actions for findings included in our prior reports. The following table provides information on recurring School audit findings:

Current Fiscal Year Finding Numbers	2009-10 Fiscal Year Audit Report and Finding Numbers	2008-09 or 2007-08 Fiscal Year Audit Report (as applicable) and Finding Numbers (1)
1	Audit Report No. 2011-150, Finding No. 2	Audit Report No. 2009-212, Finding No. 6 (1)
2	Audit Report No. 2011-150, Finding No. 1	Audit Report No. 2009-212, Finding Nos. 1 and 2 (1)
4	Audit Report No. 2011-150, Finding No. 4	Not Applicable

Note (1): Finding Nos. 1 through 6 from the 2007-08 fiscal year audit report were not within the scope of the 2008-09 fiscal year audit (report No. 2010-151) and, therefore, were not subject to follow-up procedures until the 2009-10 fiscal year audit (report No. 2011-150).

**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 April 2012 to October 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management’s performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management’s control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those controls.
- Determine whether the School had taken corrective actions for findings in our report No. 2011-150. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

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

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

The scope and methodology of this operational audit are described in Exhibit A. Our audit included the selection and examination of various records and transactions occurring during the 2010-11 fiscal year and 2011-12 fiscal year through February 29, 2012. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

**AUTHORITY**

Pursuant to the provisions of Section 11.45(2)(f), 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.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Organizational Issues	Reviewed the School's organizational structure and assessed the functional responsibilities within the organizational structure to determine whether they were adequately separated to provide effective internal controls. Examined and reviewed documentation such as organization charts and minutes of the School's Board meetings.
Banking Services Agreements	Reviewed banking services agreements for compliance with applicable laws, rules, regulations, and good business practices.
Electronic Funds Transfers	Reviewed electronic funds transfers agreements to determine whether control procedures were adequate to ensure that such transfers were properly authorized, processed, and documented.
Tangible Personal Property	Reviewed annual tangible personal property inventories for completeness and timeliness.
Overtime Payments	Tested overtime payments to determine whether expenditures were made in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines, and whether appropriate policies and procedures were followed.
Dual Employment	Tested employees that held more than one School job to determine whether expenditures were made in accordance with applicable laws, rules, regulations, and other guidelines.
Employee Classification Changes	Tested position classification changes to determine compliance with applicable laws, rules, regulations, and other guidelines.
Salary Adjustments	Tested salary adjustments to determine whether the adjustments were reasonable, consistent, authorized, and in compliance with applicable laws, rules, regulations, and other guidelines.
Carryforward Balances	Inquired of School personnel, reviewed applicable laws, rules, and School policies and procedures, and tested expenditures from carryforward to determine whether the expenditure of carryforward balances were appropriately accounted for and that carryforward expenditures were appropriate.
Purchasing Cards Issued	Tested purchasing cards issued to determine compliance with School policies and procedures.
Purchasing Card Transactions	Tested purchasing card expense transactions for propriety and compliance with applicable laws, rules, regulations, and School policies and procedures.
Purchasing Cards - Terminated Employees	Tested terminated employees to determine whether purchasing cards were timely canceled.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Capital Expenditure Planning Documents	Reviewed the School's Campus Master Plan, Educational Plant Survey, and Facilities Master Plan to determine compliance with applicable laws, rules, regulations, and School policies and procedures.
Capital Outlay Expenditures	Tested capital outlay expenditures to determine compliance with contractual requirements and applicable laws, rules, regulations, and School policies and procedures.
Public Education Capital Outlay Allocation	Determined whether amounts reported to the Florida Department of Education for State-funded capital outlay programs were supported by the School's accounting records.
Student Bank Cash Advances	Reviewed documentation for cash advances from the Student Bank to determine compliance with School procedures.
Endowment Fund – Conflict of Interest	Determined whether the School had established policies and procedures to avoid conflicts of interest with vendors who were doing business with the School and made donations to the School's Endowment Fund.

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**EXHIBIT B  
MANAGEMENT'S RESPONSE**



**Florida School for  
the Deaf & the Blind**

*Do More. Be More. Achieve More.*

207 N. San Marco Avenue  
St. Augustine, FL 32084-2799  
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August 5, 2013

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

**President**

Jeanne Glidden Prickett, EdD

**Board of Trustees**

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Dr. Thomas M. Zavelson  
Gainesville

Dear Mr. Martin:

In accordance with Section 11.45(4)(d), Florida Statutes, attached is a written statement of explanation concerning the preliminary and tentative audit findings resulting from your operational audit of the period July 1, 2010 through February 29, 2012, including proposed corrective actions. Your report of the preliminary and tentative findings and recommendations was dated July 12, 2013.

Sincerely,

Jeanne G. Prickett, EdD  
President

Attachment

cc: FSDB Board of Trustees

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

**AG Audit for July 1, 2010 – February 29, 2012**  
**Findings, Recommendations and FSDB Responses**

**Finding No. 1: Capital Outlay and Construction Administration**

**The School's Legislative Budget Request for Public Education Capital Outlay funding was not adequately supported.**

**Recommendation:** The School should review and revise its *Plan* and fixed capital outlay LBR methodology, as appropriate, to ensure that funding needs for Campus Infrastructure, Building Maintenance, and Campus Wide Site are specifically identified and prioritized as required by law, and supported by adequate documentation.

**FSDB Response:** We concur with your finding and have made every effort to comply with the applicable statutes in subsequent Legislative Budget Requests. As discussed at our exit conference, during which we provided you with a copy of the School's *2014-2019 Facilities Master Plan and 2014-2015 PECO Legislative Budget Request*, the School has adopted an industry standard methodology for estimating facilities maintenance and construction needs that we believe complies with the law. This methodology, used to develop the *2014-2019 Plan* and the *2014-2015 LBR*, has been reviewed and accepted by the Department of Education.

**Finding No. 2: Capital Outlay and Construction Administration**

**The School needed to enhance its controls over subcontractor selection for construction management projects and review of construction manager invoices.**

**Recommendation:** The School should enhance its procedures to ensure that subcontractors selected for contracts not exceeding \$10,000 are pursuant to documented competitive verbal quotes. The School should also ensure that CM invoices are adequately supported and mathematically correct prior to payment.

**FSDB Response:** We concur with the finding and modified our existing procedures as recommended. On June 7, 2012, the documentation procedures for subcontractor contracts were expanded to include obtaining evidence of all quotes, bids, etc. from the CM regardless of dollar amount. Also, CM invoices are now subjected to even greater scrutiny to detect the smallest of arithmetical errors.

**Finding No. 3: Payroll and Personnel Administration**

**The School did not always document compliance with Florida Department of Management Services Rules regarding dual employment compensation, classification actions, and pay supplements.**

**Recommendation:** The School should revise its procedures as necessary to ensure compliance with applicable DMS rules and the School's *Manual and Handbook*, and improve its documentation of dual employment assignments, classification actions, and pay supplements.

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

**AG Audit for July 1, 2010 – February 29, 2012**  
**Findings, Recommendations and FSDB Responses**

**FSDB Response:** We concur with the finding, and will make a concerted effort to ensure compliance with all DMS rules that apply to FSDB and to the School's *Manual and Handbook*.

**Finding No. 4: Procurement**

**The School's administration of purchasing cards needed improvement.**

**Recommendation:** The School should ensure that purchasing card charges are properly reviewed prior to payment, allowable exceptions to the p-card purchasing guidelines adequately explained and documented and terminated employees' cards timely canceled.

**FSDB Response:** We concur with the finding, and have implemented new policies and procedures to ensure compliance with all purchasing card rules and guidelines. Our newest policies and procedures were submitted to the Department of Financial Services, Division of Accounting and Auditing, and approved by them on March 1, 2013. A program of employee re-education has begun.

**Finding No. 5: Student Bank**

**Procedures governing the use of Student Bank advances were not always consistently applied.**

**Recommendation:** The School should ensure procedures governing the use of Student Bank cash advances are consistently applied. The School should also ensure that cash advances are limited to those situations or circumstances where the use of a standard purchase requisition or p-card is not appropriate.

**FSDB Response:** We concur with the finding and have taken the necessary to steps to ensure consistent application of the existing rules concerning cash advances from the Student Bank.