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STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

**THE FLORIDA SCHOOL
FOR THE DEAF AND THE BLIND**

Prior Audit Follow-Up
and Selected Administrative Activities



Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President of the Florida School for the Deaf and the Blind

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Carlo F. Zampogna from 9-9-15
Dr. Thomas M. Zavelson

The team leader was Nick Druash and the audit was supervised by Randy R. Arend, CPA.

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THE FLORIDA SCHOOL FOR THE DEAF AND THE BLIND

Prior Audit Follow-Up and Selected Administrative Activities

SUMMARY

This operational audit of the Florida School for the Deaf and the Blind (School) focused on asset management, related financial reconciliations, and selected administrative activities. The audit also included a follow-up on the findings noted in our report 2014-006. Our audit disclosed the following:

Finding 1: The School's 2017-18 Legislative Budget Request (LBR) for Public Education Capital Outlay funding was not adequately supported and neither the LBR nor the supporting *Facilities Master Plan* identified all specific projects planned. Similar findings have been noted in prior audit reports, most recently in our report No. 2014-006.

Finding 2: School controls over the selection of subcontractors for construction management projects continue to need enhancement.

Finding 3: As similarly noted in prior audit reports, most recently in our report No. 2014-006, School purchasing card controls need improvement.

Finding 4: The School inadvertently awarded an \$8,256 Florida Best and Brightest Teacher Scholarship to an ineligible recipient.

Finding 5: School employees did not always timely achieve required American Sign Language skill levels.

BACKGROUND

Pursuant to State law,¹ the Florida School for the Deaf and the Blind (School) operates under the leadership and direction of a Board of Trustees (Board). The Board consists of seven members who are appointed by the Governor for a 4-year term, subject to confirmation by the Senate. The Board must include one blind person and one deaf person, and each member is required to have been a Florida resident for at least 10 years.

The Board exercises control of the School through a Board-appointed President, who serves as the chief executive officer and is responsible for the organization, operation, and management of the School and its programs. The School is a State-supported residential public school for hearing-impaired and visually impaired students in preschool through 12th grade and is funded through the 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.²

Over half of the School's students participate in the School's boarding program and live in campus dormitories during the week, while approximately 30 percent of the students are day-students from

¹ Section 1002.36(4), Florida Statutes.

² Article XII, Section 9(a)(2) of the State Constitution.

St. Augustine and surrounding areas. Students who participate in the boarding program are bused home on weekends and holidays.

As of March 2016, the School had 815 employees and other personal services personnel and, during the period January 2015 through March 2016, had a peak enrollment of 627 students. The Legislature appropriated to the School \$55.9 million, including \$5.4 million in Public Education Capital Outlay (PECO) funds, for the 2015-16 fiscal year and \$50.2 million, including \$1.1 million in PECO funds, for the 2014-15 fiscal year.³

FINDINGS AND RECOMMENDATIONS

Finding 1: Legislative Budget Request and Facilities Master Plan

Pursuant to State law,⁴ the School is to prepare and submit legislative budget requests (LBRs) for operations and fixed capital outlay to the Department of Education (DOE) for review and approval. The DOE is to 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, State law⁵ requires the School to develop a plan of facility needs that lists the School's facility needs in order of priority and includes a 5-year schedule for preventative maintenance, replacement, improvement, or construction of facilities on a specific project-by-project basis. State law also provides that, for years 2 through 5, each plan is to provide a full explanation of the basis for each project, including a description of the function which 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. The School's May 2013 *Plan* covered the 2014-15 through 2018-19 fiscal years and outlined the School's plans to expend approximately \$43.8 million on capital projects, maintenance, and related items during that 5-year period. To prepare the School's 2017-18 fiscal year LBR, the School partially updated the May 2013 *Plan*. As summarized in Table 1, the School's 2017-18 fiscal year LBR, submitted to the DOE in July 2016, projected fixed capital outlay needs totaling approximately \$40.9 million for the 2017-18 through 2021-22 fiscal years.

Table 1
Fixed Capital Outlay Needs Identified in 2017-18 Fiscal Year LBR

	2017-18	2018-19	2019-20	2020-21	2021-22	Total
Capital Projects	\$ 5,454,359	\$ 3,974,753	\$ 3,004,898	\$ 3,967,737	\$ 3,621,156	\$20,022,903
Maintenance and Repairs	5,306,789	4,717,991	4,267,179	3,233,697	3,321,007	20,846,663
Total Fixed Capital Outlay Needs	\$10,761,148	\$ 8,692,744	\$ 7,272,077	\$ 7,201,434	\$ 6,942,163	\$40,869,566

Source: School's 2017-18 fiscal year LBR.

³ Chapters 2014-51 and 2015-232, Laws of Florida.

⁴ Section 1002.36(4)(f)1., Florida Statutes.

⁵ Section 216.0158, Florida Statutes.

Our examination of the School's 2017-18 fiscal year LBR and available supporting records, including the *Plan*, disclosed that:

- The School requested capital projects funding totaling \$20 million for the 2017-18 through 2021-22 fiscal years, reflecting the same infrastructure needs identified in the updated May 2013 *Plan*. Table 2 illustrates, by fiscal year, the School's capital project requests, proposed construction actions, and related cost estimates.

Table 2
School Capital Project Requests
For the 2017-18 Through 2021-22 Fiscal Years

Fiscal Year	Project	Action	Cost
2017-18	Gregg Hall	Design/Demolition/New Construction	\$ 5,454,359
2018-19	McClure Center	Design/Remodel/Renovation/New Construction	3,974,753
2019-20	Knowles Hall	Design/Renovation	3,004,898
2020-21	Vaill Hall	Design/Renovation	2,271,058
	Kramer Hall	Design/Renovation	1,696,679
2021-22	MacWilliams Hall	Design/Renovation	1,841,856
	Allied Health Services	Design/Renovation	1,779,300
Total Capital Project Requests			<u>\$20,022,903</u>

Source: School's 2017-18 fiscal year LBR.

Our examination of School records disclosed that the amounts requested were not adequately supported by engineering studies, cost estimates, or other documentation. For example, the School's request for the design, demolition, and new construction of Gregg Hall indicated that the 14,669 square foot dormitory should be replaced by a new, 15,000 square foot dormitory to address life, safety, and Americans with Disabilities Act (ADA) issues. The School used a construction cost estimate of \$364 per square foot to demolish and replace the dormitory. However, School records did not evidence the basis for the \$364 per square foot estimated cost of the work to be performed. Similarly, School records did not include documentation demonstrating the basis for the amounts requested for the other projects shown in Table 2. In response to our audit inquiry, the School's Director of Construction and Facilities indicated that the estimated capital project costs had been developed by his predecessor and that the support for the amounts requested was not available for our review.

- The School's LBR separated the projected funding needs for Maintenance and Repairs into the following categories:
 - Service Contracts – For the ongoing servicing of equipment, such as the School's fire alarm and fire sprinkler systems, as well as fire extinguisher recharging and recertification, campus security system maintenance and repairs, and chemical water treatments.
 - Maintenance Agreements – To inspect, repair, and maintain equipment, such as the School's elevator, chiller, HVAC, and severe weather warning systems.
 - Annual Trade Contracts – For major projects such as window replacement, painting, electrical, mechanical, and infrastructure projects.

From the population of the 32 maintenance and repair line item requests with projected costs totaling \$5,306,789 included in the School's 2017-18 fiscal year LBR, we selected and examined School records for 16 line item requests, with projected costs totaling \$5,079,733, to determine whether the projected costs were reasonable and adequately supported. Our examination disclosed that:

- School records did not adequately support the projected costs for 8 annual trade contract requests totaling \$4,306,338. Specifically:
 - Although requested, records supporting projected costs totaling \$2,126,627 for extending fiber optic conduit to 17 buildings (\$916,712), repairing and replacing aging mechanical equipment (\$303,376), repairing or replacing building mechanical and plumbing systems (\$302,312), repairing or replacing building electrical systems (\$200,000), replacing fire alarm and equipment and emergency lights (\$188,527), repairing and improving site infrastructure (\$150,000), and installing and maintaining campus fiber optic cabling (\$65,700) were not provided.
 - Although the School provided records supporting the projected costs for replacing windows in six School buildings and painting the exterior of eight School buildings (\$2,179,711), the records included amounts that were not adequately supported or detailed in the LBR. For example, School records did not evidence how the School determined the anticipated cost (\$1,670,064) to replace the windows. Additionally, the total amount requested included a 10 percent contingency markup, totaling \$185,472, and \$139,521 for general and roofing repairs, that were not specifically noted in the LBR.
- The amount requested for two other maintenance and repair line item requests, totaling \$67,350, exceeded the amount supported by School records by \$40,869.

In response to our audit inquiry, School management indicated that staff turnover in the Facilities Department contributed to records not being available to support certain projected costs.

Our examination of the School's 2017-18 fiscal year LBR also disclosed that, for the projected costs totaling \$15,539,874 for maintenance and repairs for the 2018-19 through 2021-22 fiscal years, School records did not identify the specific projects planned. School management indicated in response to our audit inquiry that the amounts requested for these years were based on the amounts requested for the 2017-18 fiscal year and subsequent years' maintenance and repair costs were generally assumed to decrease based on the completion of maintenance and repair projects from preceding fiscal years.

Absent comprehensive, consistent, and properly supported LBRs that specifically identify capital and maintenance-related projects, the School cannot demonstrate compliance with State law and there is an increased risk that the School's PECO funding requests and related appropriations will not correspond with actual anticipated needs.

Similar findings were noted in our report Nos. 2014-006 (finding No. 1) and 2011-150 (finding No. 2).

Recommendation: We recommend that School management strengthen procedures for preparing Facilities Master Plans and LBRs to ensure that capital project and maintenance and repair funding needs are specifically identified on a project-by-project basis and supported by adequate records.

Finding 2: Construction Management

Pursuant to State law,⁶ the School may contract with a construction management entity (CME) for the construction or renovation of facilities. Under the CME process, contractor profit and overhead are contractually agreed upon and the CME is responsible for all scheduling and coordination activities during the design and construction phases. The CME is also generally responsible for the successful, timely,

⁶ Section 1013.45(1)(c), Florida Statutes.

and economical completion of the construction project. The School may require the CME to offer a guaranteed maximum price (GMP) that allows the difference between the actual cost of the project and the GMP amount (net cost savings) to be returned to the School. As such, a GMP contract requires School personnel to closely monitor subcontractor bid awards and other construction costs.

Our examination of School records disclosed that the School entered into a GMP contract, totaling \$2,455,094, with a CME for a campus building renovation project substantially completed in July 2015. According to the GMP contract, the CME was required to solicit bids for subcontractor services. Good business practices dictate that the School monitor the CME's competitive selection of subcontractors to ensure that subcontractor services are obtained at the lowest cost consistent with acceptable quality and that maximum savings are realized.

School records indicated that the CME utilized 16 subcontractors on the campus building renovation project. We evaluated School procedures for monitoring the CME's award of subcontracts and compared, for eight subcontracts, the bid tabulation sheets to the subcontractor proposals and subcontracts awarded. We noted that:

- School records did not evidence that the School obtained from the CME seven subcontractor bid proposals related to two of the eight bid tabulation sheets. For two other bid tabulation sheets, School records indicated that the School only obtained from the CME two of the six subcontractor bid proposals, and neither of the two subcontractor bid proposals were selected by the CME. Subsequent to our audit inquiry, the School obtained from the CME the other subcontractor bid proposals, evidencing that the subcontracts were awarded to the vendors with the lowest bid proposal or indicating the basis for selecting other than the lowest bidder.
- The bid tabulation sheets did not agree with the subcontractors' bid proposals for five of the eight subcontracts reviewed. Although the differences between the bid tabulation sheets and the subcontractors' bid proposals did not affect which vendor was awarded the subcontract, two subcontractors were overpaid a total of \$3,065. Subsequent to our audit inquiry, School management contacted the CME and were advised by the CME that the overpayments resulted from errors in compiling the amounts reported on bid tabulation sheets, and that such amounts were also used for the subcontracts.

In response to our audit inquiry, School management indicated that the School had not established procedures for attending subcontractor bid openings, documenting attendance and review by signing bid tabulation sheets, or comparing bid tabulation sheets to CME subcontractor contracts to ensure that subcontractors were competitively selected and that bid award and contract amounts agreed. Absent procedures for School personnel to obtain and compare subcontractor bid proposals to bid tabulation sheets and subcontracts, the risk is increased that the School may not obtain subcontractor services at the lowest cost consistent with acceptable quality and realize maximum cost savings under GMP contracts.

Similar findings were noted in our report Nos. 2014-006 (finding No. 2) and 2011-150 (finding No. 1).

Recommendation: We recommend that School management establish procedures for School staff to document attendance at subcontractor bid openings and verify that CMEs select subcontractors using a competitive process. Such procedures should require:

- Documented comparisons of subcontractor bid awards listed on bid tabulation sheets to subcontractor bid proposals and subcontracts.

- **School records to evidence the verification of the propriety of the CME’s selection process, including the basis for selecting other than the lowest bidder.**

School management should also take appropriate actions to recover from the CME the \$3,065 in overpayments.

Finding 3: Purchasing Card Controls

As a participant in the State’s purchasing card program, the School is responsible for implementing key controls, including procedures for ensuring School records demonstrate cardholder authorization and the timely cancellation of purchasing cards upon a cardholder’s separation from School employment or when purchasing cards are lost or stolen. School policies and procedures⁷ established the Director of Purchasing as the School’s Purchasing Card Program Administrator (PCPA) and specified that the PCPA was responsible for issuing and updating the School’s *Purchasing Card Plan and Procedures (Procedures)*. Prior to being issued a purchasing card, the *Procedures* required cardholders to sign a *Purchasing Card Cardholder Agreement (Agreement)* and specified that signed *Agreements* were to be retained by the Purchasing Department. The *Procedures* also specified that, when a cardholder separated from School employment, the applicable Department head was to notify the PCPA and the PCPA was to cancel the card on the cardholder’s last day of employment. Additionally, cardholders were required to immediately notify the purchasing card issuing bank, the cardholder’s Department head, and the PCPA within 1 workday after the discovery of the loss or theft of a purchasing card.

During the period January 2015 through March 2016, the School issued 23 purchasing cards and School employees used purchasing cards to make 4,618 purchases totaling \$755,943. Our evaluation of School procedures for issuing and canceling purchasing cards disclosed that:

- For 7 of 12 purchasing cards issued during the period January 2015 through March 2016 and selected for testing, School records did not evidence an *Agreement*. In response to our audit inquiry, School management indicated that the *Agreements* had not been completed as a result of staff oversight and the *Agreements* were subsequently completed and signed. Completed and signed *Agreements* are necessary to document the cardholder’s understanding of, and agreement with, School *Procedures*.
- The School did not always timely cancel purchasing cards upon a cardholder’s separation from School employment or when purchasing cards were lost or stolen. Specifically:
 - During the period January 2015 through March 2016, 11 cardholders separated from School employment. We examined School records for 5 of the cardholders and noted that the School did not cancel the purchasing cards for 2 of the cardholders until 5 and 58 days, respectively, after the cardholders’ employment separation dates.
 - Our audit tests also identified a purchasing card that was not canceled until 45 days after it was reported lost.

While our examination of School records did not disclose any purchasing card activity subsequent to the two cardholders’ separation from School employment or after the purchasing card was reported lost, timely cancellation of purchasing cards upon a cardholder’s separation from School employment or immediately when a card is reported as lost or stolen reduces the risk that

⁷ School Operational Policy and Procedure 1.31, *Purchasing Card Program*.

unauthorized purchases will be made. Similar findings were noted in our report Nos. 2014-006 (finding No. 4) and 2011-150 (finding No. 4).

Recommendation: We recommend that School management ensure that *Agreements* are completed and signed by cardholders prior to card issuance and that purchasing cards are promptly canceled upon a cardholder's separation from School employment or when a card is reported lost or stolen.

Finding 4: Florida Best and Brightest Teacher Scholarship Program

The Florida Legislature established the Florida Best and Brightest Teacher Scholarship Program (Program)⁸ to reward teachers who achieved high academic standards during their own education. Pursuant to General Appropriations Act proviso language,⁹ to be eligible for a scholarship, a teacher must have scored at or above the 80th percentile on a college entrance exam based on the national percentile ranks in effect when the teacher took the assessment and have been evaluated as highly effective pursuant to State law¹⁰ or, if the teacher was a first-year teacher who had not been evaluated pursuant to State law, must have scored at or above the 80th percentile on a college entrance exam based on percentile ranks in effect when the teacher took the assessment. Pursuant to State law,¹¹ once a classroom teacher is deemed eligible by the School, including teachers deemed eligible during the 2015-16 fiscal year, the teacher is to remain eligible as long as he or she remains employed by the School as a classroom teacher at the time of the award and receives an annual performance evaluation rating of highly effective.

School personnel were responsible for determining teacher eligibility for scholarships and annually submitting the number of eligible teachers to the DOE. The DOE disburses scholarship funds to the School for each eligible classroom teacher to receive a scholarship as provided in the applicable General Appropriations Act.

During the 2015-16 fiscal year, the School awarded Program scholarships totaling \$49,538 to six teachers based on the list of eligible teachers submitted by the School to the DOE. Our examination of School records supporting the six scholarship awards disclosed that an error in considering college entrance exam national percentile ranks resulted in the School awarding an \$8,256 scholarship to an ineligible teacher. Specifically, the college entrance exam report used by the School as the basis for the scholarship indicated a national percentile rank of 72, which was lower than the 80th percentile required based on the national percentile ranks in effect when the teacher took the assessment.

Recommendation: We recommend that School management ensure that Program scholarships are awarded only to eligible recipients. We also recommend that the School refund the DOE for the \$8,256 award paid to the ineligible scholarship recipient and take appropriate actions to recover from the recipient the improper payment.

⁸ Section 1012.731, Florida Statutes (2016).

⁹ Chapter 2015-232, Specific Appropriation 99A, Laws of Florida.

¹⁰ Section 1012.34, Florida Statutes. Section 1012.34(3)(a), Florida Statutes, requires the evaluation to include consideration of student performance.

¹¹ Section 1012.731(3)(b), Florida Statutes (2016).

Finding 5: Sign Language Proficiency

School policies and procedures¹² specified that the School recognized the fundamental need and purpose of clear, consistent, and dependable communication as (1) a foundation for the development of language skills, (2) the basis for the development of interpersonal skills, and (3) critical to the sharing of information among all members of the School campus community because, for some members, the primary and most efficient method of communication is American Sign Language (ASL). School policies and procedures also specified that employees were to possess the skills and knowledge needed to work effectively with all students and staff. School employees who had not achieved their required ASL skill level at the time of initial employment were required to take the Sign Language Proficiency Interview (SLPI)¹³ within 60 days of employment, unless the employee signed a statement indicating that they had no ASL skills. Employees who indicated that they had no ASL skills were required to take the SLPI within 2 years of hire, and all employees who were required to have ASL skills were expected to achieve their required skill level within 4 years of initial employment.

The School's ASL Program Office is responsible for compiling an annual ASL Program Report that summarizes the extent to which School employees met the required minimum levels of ASL proficiency. Our review of the School's 2015-16 academic year ASL Program Report and supporting documentation disclosed that, as of June 1, 2016:

- 82 employees had not met their required ASL skill level and 41 of these employees had worked for the School for more than 4 years, including 21 employees who had worked at the School for more than 10 years and 3 employees who were teachers required to have advanced ASL skills to effectively communicate with deaf and hard of hearing students.
- 14 employees had not signed a statement indicating that they had no ASL skills or taken the SLPI. Of these 14 employees, 9 had worked at the School from 1 to 9 years.
- 26 employees had signed a statement indicating that they had no ASL skills; however, 3 of these employees had not taken the SLPI although they had been employed for over 2 years.

While the ASL Program Report provides School management and others information regarding the extent to which School employees comply with required minimum levels of ASL proficiency, without procedures to address noncompliance, there is an increased risk that employees may not effectively communicate information to all members of the School community. Subsequent to our audit inquiries, in January 2017, the School revised its ASL Program policies and procedures to reduce for certain staff the time permitted to achieve required ASL skill levels from 4 years to 1 year. In addition, the revised policies and procedures require follow-up meetings with an evaluator to identify areas for improving or refining ASL skills and, at least every 6 months, a reassessment until the required ASL skill level is achieved.

Recommendation: We recommend that School management continue efforts to enhance policies and procedures for ensuring that employees timely achieve required ASL skill levels.

¹² School Operational Policy and Procedure 1.24, *FSDB Staff Member American Sign Language Program*.

¹³ The SLPI involves one-to-one conversation in sign language between an interviewer and candidate. The interview is video recorded and is rated by trained SLPI ASL team members.

PRIOR AUDIT FOLLOW-UP

Except as noted in Findings 1, 2, and 3, and shown in Table 3, the School had taken corrective actions for the findings included in our report No. 2014-006.

Table 3
Findings Also Noted in Previous Audit Reports

Finding	Report No. 2014-006, Finding	Report No. 2011-150, Finding
1	1	2
2	2	1
3	4	4

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 March 2016 through March 2017 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.

This operational audit of the Florida School for the Deaf and the Blind (School) focused on asset management, related financial reconciliations, and selected administrative activities. The overall objectives of the 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, administrative rules, contracts, grant agreements, and guidelines.
- To 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, the reliability of records and reports, and the safeguarding of assets, and identify weaknesses in those internal controls.
- To identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

Our audit also included steps to determine whether management had corrected, or was in the process of correcting, all deficiencies noted in our report 2014-006.

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

governing laws, rules, or contracts, and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

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

Our audit included the selection and examination of transactions and records. Unless otherwise indicated in this report, these transactions and records were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

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

In conducting our audit we:

- Reviewed applicable laws, rules, School policies and procedures, and other guidelines to gain an understanding of School operations and processes, including asset management procedures and related financial reconciliations.
- Obtained an understanding of the School's internal controls and evaluated the effectiveness of key processes, policies, and procedures related to asset management and related financial reconciliations. Specifically, we:
 - Reviewed School policies and procedures for asset management and related financial reconciliations to determine whether the policies and procedures were adequately designed to promote sound asset management and timely and accurate financial reconciliations.
 - Analyzed School asset balances for the 2012-13 through 2014-15 fiscal years and evaluated the reasonableness of the causes for significant changes.
 - Analyzed School revenue and cash receipt data for the 2011-12 through 2015-16 (through February 2016) fiscal years and reviewed School procedures for reconciliations and collections to obtain an understanding of the nature and significance of School revenues and cash receipts.
 - From the population of 180 State Treasury to School financial records reconciliations performed during the period January 2015 through March 2016, examined 36 selected reconciliations to determine whether the reconciliations were mathematically accurate, timely performed, and reviewed by supervisory personnel.

- From the population of 15 student bank records to School financial records reconciliations performed during the period January 2015 through March 2016, examined 3 selected reconciliations to determine whether the reconciliations were mathematically accurate, timely performed, and reviewed by supervisory personnel.
- Analyzed School receivables balance information for the 2011-12 through 2014-15 fiscal years and interviewed School management to obtain an understanding of the nature and significance of School receivables and determine whether the School had established adequate policies and procedures for the timely recording and collection of receivables.
- Analyzed School fund balance accounts as of June 30, 2015, to determine whether amounts were properly classified and reported in accordance with generally accepted accounting principles and Department of Financial Services (DFS) guidelines.
- From the population of 15 monthly School investment statements for the period January 2015 through March 2016, examined 3 selected statements with reported investment balances totaling approximately \$12 million each to determine whether the School's Endowment Fund investment holdings complied with the School's investment policy.
- From the population of 38 School buildings with recorded accumulated depreciation totaling \$56,934,317 as of March 31, 2016, recalculated depreciation amounts for 10 selected buildings with recorded accumulated depreciation totaling \$16,359,779 to determine whether School buildings were depreciated in accordance with generally accepted accounting principles and DFS guidelines.
- Interviewed School management to obtain an understanding of School financial statement compilation procedures.
- Reconciled the School's June 30, 2015, fiscal year end trial balance to State accounting records to determine whether the School complied with DFS guidelines and generally accepted accounting principles for reporting general ledger account balances.
- Evaluated School actions taken to correct the findings noted in our report No. 2014-006. Specifically, we:
 - Examined School records related to the capital projects and maintenance and repairs funding requests included in the School's 2017-18 fiscal year Legislative Budget Request (LBR) for the 2017-18 through 2021-22 fiscal years to determine whether projects were specifically identified and prioritized as required by State law and the amounts requested were supported by appropriate documentation.
 - From the population of the 32 maintenance and repair line item requests with projected costs totaling \$5,306,789 included in the School's 2017-18 LBR, examined School records for 16 line item requests, with projected costs totaling \$5,079,733, to determine whether the amounts requested were reasonable and adequately supported.
 - For the one significant School construction project, with expenditures totaling \$2,408,903 during the period April 2015 through November 2015, we:
 - Examined documentation for three selected expenditures, totaling \$1,175,015, to determine whether the expenditures were made in accordance with contract terms and conditions, Board policies and procedures, and the provisions of applicable State laws and rules.
 - Reviewed 8 of the 16 construction management entity's subcontractor contracts, bid tabulation sheets, and subcontractor bid proposals to determine whether subcontractors were competitively selected and the subcontractor selection process was adequately monitored by School management.

- From the population of 413 salary adjustment and supplemental payment transactions, totaling \$267,414, made during the period January 2015 through March 2016, examined School records for 38 selected transactions, totaling \$63,013, to determine whether the transactions were properly authorized, adequately documented, and consistent with Board policy.
- From the population of 44 employee classification changes approved by the Board during the period January 2015 through March 2016, examined School records for 19 selected classification changes to determine whether the changes were properly approved and in accordance with State law and Department of Management Services rules.
- From the population of 423 School employees who held two or more positions during the period January 2015 through March 2016, examined School records for 25 selected employees to determine whether the additional employment positions were properly authorized and the employees were paid in accordance with the dual-employment authorization.
- From the population of 4,618 purchasing card transactions, totaling \$755,943, made during the period January 2015 through March 2016, examined Schools records for 30 selected transactions, totaling \$25,730, to determine whether purchasing card transactions were for an authorized public purpose, in accordance with School policies and procedures, reasonable and appropriate, and appropriately approved and accounted for.
- From the population of 23 purchasing cards issued during the period January 2015 through March 2016, examined School records for 12 selected purchasing cards to determine whether cardholder agreement forms were completed to document the cardholders' agreement with School purchasing card policies and procedures.
- Examined School records for 5 of the 11 purchasing cardholders who separated from School employment during the period January 2015 through March 2016 to determine whether the School timely canceled the employees' purchasing cards.
- For the three bank accounts maintained by the School during the period January 2015 through March 2016, examined School bank account reconciliation and other records to determine whether bank account information was timely reconciled to School records and the accounts were maintained in a qualified public depository.
- Reviewed School procedures, banking agreements, and the School's electronic funds transfer (EFT) process to determine whether School controls provided for an appropriate separation of duties with respect to the initiation and authorization of EFT transactions and EFT transactions were properly documented and reported.
- From the population of 65 student bank cash advances, totaling \$9,598, made during the period January 2015 through March 2016, examined School records for 30 selected advances, totaling \$4,892, to determine whether the advances were authorized and administered in accordance with School policies and procedures.
- Interviewed School personnel, examined School records, and evaluated School compliance with applicable statutory requirements for collecting and utilizing individuals' social security numbers.
- Observed, documented, and evaluated the effectiveness of selected School processes and procedures for:
 - Purchasing activities, managing access to the State's accounting system (FLAIR), other information technology systems, and other School records and assets, and settlement agreements.

- The acquisition, assignment, control, use, and disposal of motor vehicles. As of March 2016, the School was responsible for 118 motor vehicles with related acquisition costs totaling \$3,341,602.
 - The administration of School travel in accordance with State law and other applicable guidelines. During the period January 2015 through March 2016, School travel expenditures totaled \$585,204.
 - The acquisition, assignment, and use of wireless devices with related service costs totaling \$11,866 during the period January 2015 through March 2016.
 - Obtaining background screenings for School personnel and contractors pursuant to Sections 1012.32(2), 1012.465, and 1012.315, Florida Statutes. Specifically, from the population of 815 School employees and other personal services (OPS) personnel as of March 2016, we examined School records for 30 selected employees and OPS personnel to determine whether employees and OPS personnel who had direct contact with students had undergone the required background screenings.
 - Determining eligibility for and awarding Florida Best and Brightest Teacher Scholarship Program awards to teachers who achieved the required minimum college entrance exam scores and evaluations.
 - The administration of the School's American Sign Language policies and procedures to ensure School employees had the skills and knowledge needed to work effectively with all students and staff.
- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
 - Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
 - Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading **MANAGEMENT'S RESPONSE**.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of the School on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



Sherrill F. Norman, CPA
Auditor General

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
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July 27, 2017

Ms. Sherrill F. Norman
Auditor General
State of Florida
Claude Denson Pepper Building, Suite G74
111 West Madison Street
Tallahassee, FL 32399-2799

Dear Ms. Norman:

In accordance with Section 11.45 (4) (d) Florida Statutes, attached is a written statement of explanation concerning the preliminary and tentative audit findings we have received from you, in the letter dated June 30, 2017, that resulted from your operational audit of the Florida School for the Deaf and the Blind for the audited period between January 1, 2015 to March 31, 2016. Included in the school's response are proposed corrective actions.

Sincerely,

Jeanne Glidden Prickett
President

Attachment

C: Members of the FSDB Board of Trustees

**Operational Audit of the Florida School for the Deaf and the Blind
Preliminary and Tentative Audit Findings
Auditor General – State of Florida
July 27, 2017**

Findings, Recommendations, and FSDB Responses

Finding 1: The School’s 2017-18 Legislative Budget Request (LBR) for Public Education Capital Outlay funding was not adequately supported and neither the LBR nor the supporting *Facilities Master Plan* identified all specific projects planned. Similar findings have been noted in prior audit reports, most recently in our report No. 2014-006.

Recommendation: We recommend that School management strengthen procedures for preparing Facilities Master Plans and LBRs to ensure that capital project and maintenance and repair funding needs are specifically identified on a project-by-project basis and supported by adequate records.

FSDB Response: We acknowledge the finding and continue to make every effort to adequately support the Facilities Master Plan and Legislative Budget Requests. The 2018-2019 Facilities Master Plan and PECO Legislative Budget Requests have been revised to include project scope and methodology in support of estimated costs. We will continue to refine our process going forward.

Finding 2: School controls over the selection of subcontractors for construction management projects continue to need enhancement.

Recommendation: We recommend that School management establish procedures for School staff to document attendance at subcontractor bid openings and verify that CMEs select subcontractors using a competitive process. Such procedures should require:

- Documented comparisons of subcontractor bid awards listed on bid tabulation sheets to subcontractor bid proposals and subcontracts.
- School records to evidence the verification of the propriety of the CME’s selection process, including the basis for selecting other than the lowest bidder.

School management should also take appropriate actions to recover from the CME the \$3,065 in overpayments.

FSDB Response: We acknowledge the finding and modified our existing procedures, as recommended. We have taken steps to recover from the CME the overpayment.

Finding 3: As similarly noted in prior audit reports, most recently in our report No. 2014-006, School purchasing card controls need improvement.

Recommendation: We recommend that School management ensure that *Agreements* are completed and signed by cardholders prior to card issuance and that purchasing cards are promptly canceled upon a cardholder's separation from School employment or when a card is reported lost or stolen.

FSDB Response: We acknowledge the finding and recommendations that *Agreements* are completed and signed by cardholders prior to issuance, and that cards are promptly cancelled upon a cardholder's separation from School employment or when a card is lost or reported stolen. During the selected audit period, January 2015 through March 2016, a change of responsibilities for managing the School's P-card program took place. Management has subsequently placed emphasis on follow through in completing *Agreements* and handling P-card cancellations. We believe this finding has been addressed adequately.

Finding 4: The School inadvertently awarded an \$8,256 Florida Best and Brightest Teacher Scholarship to an ineligible recipient.

Recommendation: We recommend that School management ensure that Program scholarships are awarded only to eligible recipients. We also recommend that the School refund the DOE for the \$8,256 award paid to the ineligible scholarship recipient and take appropriate actions to recover from the recipient the improper payment.

FSDB Response: We acknowledge the finding and will continue to ensure that scholarships are awarded only to eligible recipients. FSDB received correspondence to support the scholarship award based on guidance provided by the Florida Department of Education. Prior to requesting payment of the award, the recipient sent an email to the FDOE, inquiring if the National HS sample score could be used. The response from the FDOE was "It is up to the district which report they use."

Finding 5: School employees did not always timely achieve required American Sign Language skill levels.

Recommendation: We recommend that School management continue efforts to enhance policies and procedures for ensuring that employees timely achieve required ASL skill levels.

FSDB Response: We acknowledge the finding and have taken steps to ensure that required American Sign Language (ASL) skill levels are attained within time limits set in the policy. The School's policy has since been revised to provide greater clarity and set new, more stringent time limits for attaining the required levels and follow through of continued training and additional, more frequent assessment for those not achieving required levels in a timely manner.