

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2021-083
December 2020

**LIBERTY COUNTY
DISTRICT SCHOOL BOARD**



Sherrill F. Norman, CPA
Auditor General

Board Members and Superintendent

During the 2019-20 fiscal year, David H. Summers served as Superintendent of the Liberty County Schools and the following individuals served as School Board Members:

	<u>District No.</u>
James Flowers, Vice-Chair	1
Tina Tharpe, Chair from 11-12-19	2
Darrel Hayes, Chair through 11-11-19	3
Kyle Peddie	4
Charles R. Morris	5

The team leader was Stacy P. Boyd, and the audit was supervised by Maria G. Loar, CPA.

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LIBERTY COUNTY DISTRICT SCHOOL BOARD

SUMMARY

This operational audit of the Liberty County School District (District) focused on selected District processes and administrative activities and included a follow-up on findings noted in our report No. 2018-103. Our operational audit disclosed the following:

Finding 1: District records did not demonstrate that the District complied with State law and Board policies by competitively negotiating architect services for the Liberty County New High School Project (High School Project).

Finding 2: District monitoring of construction management entity (CME) payments, which included subcontractor service costs, was deficient. For the High School Project, the Board-approved CME guaranteed maximum price contract totaled \$16.3 million, including \$13.8 million for services by 26 subcontractors.

Finding 3: District monitoring of the CME subcontractor selection process needs improvement. For the High School Project, the CME selected some subcontractors who were not the lowest bidder and CME-awarded subcontracts did not always agree with subcontractor bid amounts.

Finding 4: The District needs to enhance controls over negotiations, monitoring, and documenting the reasonableness of CME general conditions costs.

Finding 5: The CME contract for the High School Project did not contain a penalty to be paid by the contractor for a failure to comply with contract terms.

Finding 6: The District did not timely comply with State law requiring, effective July 1, 2019, the District to post on its Web site graphical representations of summary financial efficiency data and fiscal trend information.

BACKGROUND

The Liberty County School District (District) is part of the State system of public education under the general direction of the Florida Department of Education and is governed by State law and State Board of Education rules. Geographic boundaries of the District correspond with those of Liberty County. The governing body of the District is the Liberty County District School Board (Board), which is composed of five elected members. The elected Superintendent of Schools is the Executive Officer of the Board. During the 2019-20 fiscal year, the District operated eight combination, high, and specialized schools; and reported 1,273 unweighted full-time equivalent students.

FINDINGS AND RECOMMENDATIONS

Finding 1: Architect Selection

State law¹ prescribes the competitive negotiation process to be followed for each occasion when professional services, including architectural services, must be purchased for a project in which the basic construction cost is estimated to exceed \$325,000, except in cases of valid public emergencies certified by the agency head. In addition, Board policies² specify the procedures to be followed when contracting for architectural services, including advertising, rating applicants, and negotiating with the firm rated most qualified. The competitive negotiation process reduces the appearance and opportunity for favoritism and inspires public confidence that the architect was selected in a fair, equitable, and economical manner.

In addition, State law³ requires the District to maintain public records in accordance with the Department of State, Division of Library and Information Services, records retention schedules. For example, according to the State's records retention schedules,⁴ records documenting the negotiation, fulfillment, and termination of capital improvement contracts, including contracts with architects, engineers, builders, and construction companies, must be maintained for 10 fiscal years after completion or termination of the contract and failure to maintain records in accordance with State law could result in District officials being subjected to certain penalties.⁵ The schedules specify that such records include legal documents, correspondence, reports, and other records, such as those relating to the processing of capital improvement legal advertisements, requests for proposals, requests for qualifications, invitations to negotiate, technical specifications, and correspondence.

As part of our audit, we inquired of District personnel and examined District records supporting the Liberty County New High School Project (High School Project) with an estimated cost of \$22.5 million.⁶ We found that in August 2017 the Board entered into an architect services contract for an estimated \$1.4 million for the project. However, although we requested in September 2020, District records were not provided to demonstrate the required competitive negotiation process was followed for the architect services contract. In response to our inquiry, District personnel indicated that the employee responsible for the requested records had separated from District employment and the records could not be located.

Absent documented compliance with the required competitive negotiation process, there is an increased risk that the District may not select professional services in a fair, equitable, and economical manner or obtain the services at the lowest cost consistent with desired quality. Adherence to records retention requirements demonstrates compliance with State law and other requirements and ensures that records are available when needed.

¹ Section 287.055(3), (4), and (5), Florida Statutes.

² Board Policy 6330, *Acquisition of Professional Architectural, Engineering, Landscape Architectural, or Land Surveying Services*.

³ Section 119.021(2)(a) and (b), Florida Statutes.

⁴ *State of Florida General Records Schedules GS1-SL for State and Local Government Agencies*, Item #s 64 and 70.

⁵ Section 119.10, Florida Statutes.

⁶ The \$22.5 million included \$16.3 million for the guaranteed maximum price for the construction management entity, \$4.8 million for direct materials purchases, and \$1.4 for architectural services.

Recommendation: The District should enhance procedures to ensure documented compliance with the required competitive negotiation process for professional services and State records retention requirements.

Finding 2: Monitoring Construction Payment Requests

State law⁷ allows the District to select a construction management entity (CME) for construction projects. Under the CME process, contractor profit and overhead are contractually agreed upon, and the CME is responsible for scheduling and coordinating all activities for the design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project.

The CME may be required to offer a guaranteed maximum price (GMP), which allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be retained by the District. To increase the likelihood of savings in material and labor costs, prevent cost overruns or other impediments to successful completion of GMP contracts, and verify the propriety of CME payment requests, it is important that District personnel verify that the costs reported on CME payment requests are substantiated by supporting documentation such as the GMP and subcontractor contracts.

As required by State law,⁸ the District solicited competitive proposals for CME services related to the High School Project. The Board approved a CME contract for the High School Project in June 2018 and, in February 2020, the Board amended the contract to establish a GMP of \$16.3 million for the construction phase, which included \$13.8 million for 26 subcontractors and related services. During the period July 2018 through March 2020, the District paid the CME \$7.5 million based on CME payment requests, including \$7 million for subcontractor services.

According to District personnel, the CME submits periodic payment requests to the District for subcontractor services, CME profit earned to date, and general conditions costs. Upon receipt of a CME payment request, District personnel compared cost lines on the CME payment request schedule of values to subcontractor invoices, verified the mathematical accuracy of the request, and verified that prior payments were properly accumulated and accurately reflected.

To evaluate District monitoring controls over CME payment requests, we inquired of District personnel and examined District records supporting two payments totaling \$2.3 million dated October and December 2019, including \$2.1 million for services by 12 subcontractors and \$0.2 million for general conditions costs. Although the CME payment requests were mathematically accurate and District personnel had properly accumulated prior CME payment amounts, we found that District personnel did not verify the propriety of the CME payment requests by reconciling the requests to subcontractor contracts and to the GMP contract for general conditions costs. According to District personnel, those procedures were not performed because the District relied on the CME to perform verifications of the subcontractor and general conditions costs; however, District reliance on CME procedures provide little assurance that District payments to the CME are proper. Findings 3 and 4 describe other deficiencies related to District monitoring of the CME and oversight of the High School Project.

⁷ Section 255.103, Florida Statutes.

⁸ Section 287.055, Florida Statutes.

Absent District procedures to verify the propriety of all amounts requested by the CME on periodic payment requests, there is an increased risk that the District may overpay for services and not realize maximum cost savings under a GMP contract.

Recommendation: To ensure that the District realizes maximum cost savings under a GMP contract, the District should establish procedures to require and ensure documented verification that CME payment requests agree with the GMP contract and that amounts requested for subcontractor services are supported and substantiated by applicable subcontractor contracts.

Finding 3: Subcontractor Selection

The CME contract for the High School Project required the CME to solicit bids and award subcontracts, as necessary. Good business practice dictates that District personnel monitor the subcontractor selection process by documenting attendance at CME subcontractor bid openings to ensure that services are obtained at the lowest cost consistent with acceptable quality and to realize maximum cost savings under a GMP contract. The monitoring process should also ensure that the CME-awarded subcontracts are consistent with the lowest bids submitted or that records explain and justify why the lowest bidder was not selected.

To evaluate the CME subcontractor selection process for the High School Project and District monitoring controls over that process, we requested for examination District records supporting the CME selection and contracts for the 16 subcontractors who provided Project services during the period July 2018 through March 2020. District personnel provided evidence that they attended CME subcontractor bid openings and maintained the CME-prepared bid tabulation sheets and related bid documentation to document the subcontractor selection process. However, the District did not maintain CME-executed subcontractor contracts to demonstrate that the CME contracted with the subcontractors with the lowest bids consistent with acceptable quality and in amounts that agreed to the applicable subcontractor bids. According to District personnel, the District relied upon the CME to maintain subcontractor contracts on the District's behalf and to ensure that the contracts were with the subcontractors who submitted the lowest bid consistent with acceptable quality.

We requested that the District obtain the CME-awarded subcontractor contracts supporting the CME payment requests totaling \$2.1 million for services provided by 12 subcontractors. We compared information listed on the bid tabulation sheets to the related bid documentation and to the contracts for those 12 subcontractors and found that the lowest bid for subcontracted:

- Mechanical services totaled \$2.156 million; however, the CME awarded the contract to a subcontractor who bid \$2.360 million (shown as Subcontractor 4 in Table 1) or \$204,000 more than the lowest bid. Neither the bid tabulation sheets, CME subcontractor recommendation and approval documents, nor other records explained why that subcontractor was selected. In response to our inquiry, the CME indicated that the CME rejected the initial bids in April 2018 and solicited bids again in August 2018 and that the subcontractor who was the lowest bidder for the April 2018 bid submitted a higher bid amount in August 2018. Notwithstanding, District records did not demonstrate why the subcontractor was selected and awarded a contract for an amount that was higher than the lowest bid received in August 2018.
- Services to install chain link fence totaled \$68,856; however, the CME awarded the contract to a subcontractor who bid \$124,415 (shown as Subcontractor 11 in Table 1) or \$55,959 more than the lowest bid. Neither the bid tabulation sheets, CME subcontractor recommendation and

approval documents, nor other records explained why that subcontractor was selected. In response to our inquiry, the CME asserted that, because of the low bidder's unresponsiveness, the CME selected another subcontractor. However, although we requested, District records were not provided to confirm the CME assertion.

In addition, we noted that the amounts for 10 of the 12 CME-awarded subcontractor contracts exceeded the subcontractors' bid amounts. Table 1 discloses the differences between the CME-awarded subcontractor contracts and the subcontractor bid amounts. Although we requested, District personnel could not explain why the differences existed.

**Table 1
Subcontractor Bid and Contract Amount Differences**

No.	Subcontractor	Bid Amount	Contract Amount	Difference
1	Pre-Engineered Metal Trusses	\$2,033,346	\$2,870,778	\$837,432
2	Sitework	1,387,466	1,730,000	342,534
3	Electrical	1,435,000	1,700,375	265,375
4	Mechanical	2,360,000	2,495,000	135,000
5	Masonry	2,095,266	2,144,432	49,166
6	Doors, Frames, and Hardware	299,965	345,785	45,820
7	Glass, Glazing, Windows, and Storefront	275,710	318,610	42,900
8	Structural and Miscellaneous Steel	1,020,000	1,062,000	42,000
9	Plumbing	996,615	1,014,052	17,437
10	Painting	143,745	150,745	7,000
11	Chain Link Fencing	124,815	113,815	(11,000)
12	Concrete	1,296,000	1,267,000	(29,000)

Absent effective procedures requiring documented verification that CMEs competitively select subcontractors and award subcontracts consistent with bid amounts, there is an increased risk that subcontractor services may not be obtained at the lowest cost consistent with acceptable quality and the District may not realize maximum cost savings under GMP contracts.

Recommendation: The District should establish procedures to require and ensure that District personnel verify and document that CMEs select and contract with subcontractors who submitted the lowest bids consistent with acceptable quality. In instances where the lowest bidder is not selected, such procedures should require District records to contain an explanation and justification. In addition, the District should request and obtain documentation from the High School Project CME that explains the basis for CME-awarded contracts to the mechanical and chain link fence services subcontractors and why certain CME-awarded contract amounts exceeded the subcontractor's bid amounts.

Finding 4: General Conditions Costs

A CME may be required to offer a GMP, which allows for the net cost savings (i.e., the difference between the actual costs of the project and the GMP amount) to be returned to the District or utilized for other purposes. GMP contracts typically include provisions for general conditions costs that are not directly associated with a particular activity and may include costs relating to labor supervision, temporary offices and utilities, travel expenses, clean-up, permits, and testing.

Established policies and procedures that provide appropriate guidance for effectively negotiating, monitoring, and documenting the reasonableness of general conditions costs are essential to ensure that potential cost savings are realized under GMP contracts. For CME GMP contracts that include general conditions costs, appropriate policies and procedures include, for example:

- Comparisons of proposed general conditions costs with those of similar projects, including similar projects at other school districts.
- Negotiations with the CME to determine a reasonable amount for total budgeted general conditions costs.
- Verifications that the general conditions costs are supported by detailed documentation, such as CME payroll records and CME paid invoices.
- Verifications that general conditions costs for which reimbursement is requested are reimbursable costs as identified in the GMP contract.

The CME GMP contract for the High School Project included general conditions costs totaling \$971,751. District personnel indicated that their negotiation procedures included discussing with the CME the total amount appropriated and subsequent CME budget adjustments according to the total amount appropriated. However, District policies and procedures had not been established for the negotiation process used or the factors considered to establish the reasonableness of the general conditions costs.

Additionally, our examination of District records associated with the High School Project's general conditions costs disclosed that, on monthly CME payment requests, the CME billed the District for the Project Manager and Site Superintendent salaries and other labor costs. For support, the CME provided a schedule of completion based on dates remaining in the project for the salary and labor costs and a schedule listing CME employee names and amounts paid on a weekly basis for the labor costs. However, because neither the hours worked nor records showing authorized employee pay rates were provided to help calculate and verify direct staffing and labor costs, the CME-provided support could not be reconciled to the GMP contract provisions. In addition, detailed payroll records such as signed time sheets substantiating hours worked were not provided, further limiting the ability of District personnel to ensure the validity and propriety of the reimbursed costs.

Absent effective negotiation of general conditions costs and obtaining and monitoring documentation, such as CME payroll records, to substantiate the amounts of general conditions costs requested by the CME, the District may be limited in its ability to determine the propriety of those costs and to realize cost savings associated with general conditions costs in GMP contracts.

Recommendation: The District should establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures should require documentation of the methodology used and factors considered in negotiating those costs. In addition, the District should include provisions in GMP contracts to require that CMEs provide sufficient documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.

Finding 5: Penalty Clause

State law⁹ requires construction contracts to contain the penalty to be paid by the contractor for a failure to comply with the contract terms. The Board-approved construction contract with the CME for the High School Project provided for dispute resolution and a termination clause for breach of contract. However, contrary to State law, neither the original CME contract nor the subsequent amendments thereto contained any penalties (e.g., penalties for untimely completion of the High School Project) to be paid by the contractor for failure to comply with the contract terms. District personnel indicated that a penalty clause had been inadvertently excluded from the High School Project construction contract.

Our examination of District records also disclosed that, according to the September 2018 GMP contract amendment, the High School Project had a substantial completion date of December 2019. The Board approved in March 2019 a project completion date extension to June 2020 and, in April 2020, the Board extended the completion date to July 2020; however, the project was ultimately completed in June 2020. Although we requested, District records were not provided to explain or justify the contract extensions.

Without a penalty clause in a construction contract, the District cannot demonstrate compliance with State law and the Board has limited recourse in the event a contractor fails to comply with the contract terms.

Recommendation: The Board should comply with State law and ensure future construction contracts contain penalties to be paid by the contractors for failing to comply with the contract terms. In addition, District records should document explanations and justifications for all construction contract extensions.

Finding 6: Fiscal Transparency

To promote responsible spending, more citizen involvement, and improved accountability, it is important for the District to provide easy access to its budget and related information. Pursuant to State law,¹⁰ the District must post on its Web site a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public.

In addition, effective July 1, 2019, the information posted on the District Web site must include graphical representations, for each public school within the District and for the District, of summary financial efficiency data and fiscal trend information of the previous 3 years. Specifically, the District Web site must show the:

- Ratio of full-time equivalent (FTE) students to FTE instructional personnel.
- Ratio of FTE students to FTE administrative personnel.
- Total operating expenditures per FTE student.
- Total instructional expenditures per FTE student.
- General administrative expenditures as a percentage of total budget.
- Rate of change in the General Fund's ending fund balance not classified as restricted.

⁹ Section 1013.47, Florida Statutes.

¹⁰ Section 1010.035(2), Florida Statutes.

The District Web site must also include a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE) pursuant to State law¹¹ to enable taxpayers to evaluate the financial efficiency of the school district and compare the financial efficiency of the school district with other similarly situated school districts. The information must be prominently posted on the District's Web site in a manner that is readily accessible.

At the time of our review in February 2020, the District had posted the proposed, tentative, and official budgets for the 2019-20 fiscal year on its Web site; however, the Web site lacked the graphical representations and a link to the Web-based fiscal transparency tool developed by the FDOE. In response to our inquiry, District personnel indicated that, as of that date, they had requested but not received from the FDOE District graphical representations or a link to the transparency tool. Although the FDOE had not provided school districts a link to the transparency tool, District records did not demonstrate any efforts to create or report the required summary financial efficiency data or fiscal trend information for the previous 3 years.

Subsequent to our inquiry, in June 2020 the FDOE provided the District a link to the FDOE fiscal transparency tool and the District posted the link on the District Web site. Also, in September 2020, District personnel were working to upload the required graphical representations to the District Web site. Providing the required transparency information on the District Web site enhances citizen involvement and the ability to analyze, monitor, and evaluate fiscal outcomes.

Recommendation: The District should continue efforts to comply with statutory transparency requirements by timely posting all required information on the District Web site.

PRIOR AUDIT FOLLOW-UP

The District had taken corrective actions for findings included in our report No. 2018-103.

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 February 2020 to September 2020 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 focused on information technology resources and related controls; public meetings and communications; fiscal transparency; school safety; compensation, construction, and other

¹¹ Section 1010.20, Florida Statutes.

expenses; and other processes and administrative activities. For those areas, our audit objectives 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 safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2018-103.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

In planning and conducting our audit, we assessed whether internal controls were significant to our audit objectives by considering the internal control integrated framework established by the Committee of Sponsoring Organizations (COSO)¹² and adapted for a government environment within the *Standards for Internal Control in the Federal Government* issued by the United States Government Accountability Office. That framework is illustrated in the following table.

¹² The Committee of Sponsoring Organizations (COSO) of the Treadway Commission was established in 1985 to develop guidance in the areas of risk and control which enable good organizational governance and reduction of fraud. Pursuant to their mission, COSO developed a framework for internal control that consists of five components and 17 underlying principles.

COSO Internal Control Integrated Framework

Internal Control Component	Description	Underlying Principles (To be Applied by the Board and Management)
Control Environment	Standards, processes, and structures that provide the basis for carrying out internal control across the organization. Represents the foundation on which an effective internal control system is built.	<ul style="list-style-type: none"> • Demonstrate commitment to integrity and ethical values. • Exercise oversight responsibility. • Establish structures and reporting lines and assign authorities and responsibilities. • Demonstrate commitment to a competent workforce. • Hold individuals accountable for their responsibilities.
Risk Assessment	Management's process to consider the impact of possible changes in the internal and external environment and to consider actions to mitigate the impact. The basis for how risks will be managed.	<ul style="list-style-type: none"> • Establish clear objectives to define risk and risk tolerances. • Identify, analyze, and respond to risks. • Consider the potential for fraud. • Identify, analyze, and respond to significant changes that impact the internal control system.
Control Activities	Activities in the form of policies, procedures, and standards that help management mitigate risks. Control activities may be preventive in nature or detective in nature and may be performed at all levels of the organization.	<ul style="list-style-type: none"> • Design control activities to achieve objectives and respond to risks. • Design control activities over technology. • Implement control activities through policies and procedures.
Information and Communication	Information obtained or generated by management to support the internal control system. Communication is the dissemination of important information to help the organization meet requirements and expectations.	<ul style="list-style-type: none"> • Use relevant and quality information. • Communicate necessary information internally to achieve entity objectives. • Communicate necessary information externally to achieve entity objectives.
Monitoring	Periodic or ongoing evaluations to verify that the internal control system is present and functioning properly.	<ul style="list-style-type: none"> • Conduct periodic or ongoing evaluations of the internal control system. • Remediate identified internal control deficiencies on a timely basis.

We determined that all components of internal control and underlying principles were significant to our audit objectives.

This audit was designed to identify, for those areas included within the scope of the audit, weaknesses in management's internal controls significant to our audit objectives; 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.

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; identifying and evaluating internal controls significant to our audit objectives; 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.

Our audit included transactions, as well as events and conditions, occurring during the 2019-20 fiscal year audit period, and selected District actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions 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 management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit, we:

- Reviewed applicable laws, rules, District policies and procedures, and other guidelines, and interviewed District personnel to obtain an understanding of applicable processes and administrative activities.
- Reviewed District information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, network configuration management, system backups, and disaster recovery.
- Evaluated District procedures for maintaining and reviewing employee access to IT data and resources. We examined selected access privileges to the District's enterprise resource planning (ERP) system finance and human resources (HR) applications to determine the appropriateness and necessity of the access based on employees' job duties and user account functions and whether the access prevented the performance of incompatible duties. Specifically, we:
 - Tested the 9 roles that allowed update access privileges to selected critical ERP system finance application functions resulting in the review of the appropriateness of access privileges granted for the 11 accounts.
 - Tested the 8 roles that allowed update access privileges to selected critical ERP system HR application functions resulting in the review of the appropriateness of access privileges granted for the 3 accounts.
- Reviewed District procedures to prohibit former employee access to electronic data files. We also reviewed selected access user privileges for the nine employees who separated from District employment during the period July 2019 through February 2020 to determine whether the access privileges had been timely deactivated.
- Evaluated District procedures for protecting the sensitive personal information of students, including social security numbers. Specifically, we examined the access privileges of the 12 employees who had access to sensitive personal student information to evaluate the appropriateness and necessity of the access privileges based on the employee's assigned job responsibilities.
- Analyzed the District's General Fund total unassigned and assigned fund balances at June 30, 2020, to determine whether the total was less than 3 percent of the fund's revenues, as specified in Section 1011.051, Florida Statutes.
- Examined the District Web site to determine whether the 2019-20 fiscal year proposed, tentative, and official budgets were prominently posted pursuant to Section 1011.035(2), Florida Statutes. In addition, we determined whether the Web site contained the required graphical representations, for each public school within the District and for the District, of summary financial

efficiency data and fiscal trend information for the previous 3 years, and a link to the Web-based fiscal transparency tool developed by the Florida Department of Education (FDOE).

- From the population of expenditures totaling \$9.5 million during the period July 2019 through February 2020 from nonvoted capital outlay tax levy proceeds, Public Education Capital Outlay funds, and other restricted funds, examined documentation supporting selected expenditures totaling \$4.7 million, to determine District compliance with the restrictions imposed on the use of these resources, such as District compliance with Section 1011.71(2), Florida Statutes.
- Examined documentation for the significant construction contract with a guaranteed maximum price totaling \$16.3 million and expenditures totaling \$13.3 million during the period July 2018 through March 2020 to determine compliance with Board policies, District procedures, and applicable provisions of State law and rules. Specifically, we:
 - Examined District records to determine whether the construction manager was properly selected pursuant to Section 255.103, Florida Statutes.
 - Evaluated District procedures for monitoring subcontractor selection and licensure and examined District records to determine whether such procedures ensured that subcontractors were properly selected and licensed.
 - Examined District records to determine whether architects were properly selected pursuant to Section 287.055, Florida Statutes, and adequately insured.
 - Determined whether the Board established appropriate policies and District procedures addressing the negotiation and monitoring of general conditions costs.
 - Examined District records supporting four selected payments totaling \$2.7 million, which included \$2.3 million for construction manager payments and \$426,074 for architect payments, to determine whether District procedures for monitoring payments were adequate and payments were sufficiently supported.
- Examined copies of the most recent annual fire safety, casualty safety, and sanitation inspection reports. From the six inspection reports, we selected one report with 98 noted deficiencies and examined documentation to determine whether timely action was taken to correct the deficiencies.
- Examined District records to determine whether the Board had adopted appropriate school safety policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1006.07, 1006.12, and 1006.13, and 1011.62(15), Florida Statutes.
- Examined District records to determine whether the Board had adopted appropriate mental health awareness policies and the District implemented procedures to ensure the health, safety, and welfare of students and compliance with Sections 1011.62(16) and 1012.584, Florida Statutes, and State Board of Education Rule 6A-1.094121, Florida Administrative Code.
- From the population of \$72,734 total workforce education program funds expenditures during the audit period, selected expenditures totaling \$44,406 and examined supporting documentation to determine whether the District used the funds for authorized purposes (i.e., not used to support K-12 programs or District K-12 administrative costs).
- From the population of 12,113 contact hours for 38 adult general education instructional students during the Fall 2019 Semester, examined District records supporting 3,495 reported contact hours for 23 selected students to determine whether the District reported the instructional contact hours in accordance with State Board of Education Rule 6A-10.0381, Florida Administrative Code.
- Reviewed District records supporting the fund balance of the Special Revenue - Food Service Fund and evaluated the financial condition of the Fund.

- Examined District records for the audit period for 30 employees selected from the population of 339 employees and the 7 contractor workers to evaluate whether individuals who had direct contact with students were subjected to the required fingerprinting and background screening.
- Examined Board policies, District procedures, and related records for volunteers for the audit period to determine whether the District searched prospective volunteers' names against the Dru Sjodin National Sexual Offender Public Web site (NSOPW) maintained by the United States Department of Justice, as required by Section 943.04351, Florida Statutes. In addition, we performed a search of the names of 11 volunteer applicants against the NSOPW database.
- Examined District records to determine whether the Board had developed adequate performance assessment procedures for instructional personnel and school administrators based on student performance and other criteria in accordance with Section 1012.34(3), Florida Statutes, and determined whether a portion of each instructional employee's compensation was based on performance in accordance with Section 1012.22(1)(c)4. and 5., Florida Statutes.
- Determined whether the District hired certified teachers during the 2019-20 fiscal year and whether the teachers taught in their area of certification or, if the Board approved teachers to teach out-of-field, parents were notified of out-of-field teaching assignments and out-of-field teachers were reported on the District Web site.
- Evaluated Board policies and District procedures to ensure that health insurance was provided only to eligible employees, retirees, and dependents and that, upon an employee's separation from District employment, insurance benefits were timely canceled as appropriate based on Board policies. We also determined whether the District had procedures for reconciling health insurance costs to employee, retiree, and Board-approved contributions.
- Evaluated Board policies and District procedures for ethical conduct for instructional personnel and school administrators, including reporting responsibilities related to employee misconduct which affects the health, safety, or welfare of a student, to determine compliance with Section 1001.42(6), Florida Statutes.
- From the population of expenditures totaling \$1.2 million for 55 contracted services during the period July 2019 through February 2020, examined supporting documentation, including the contract documents, for 27 selected payments totaling \$393,387 related to 25 contracts to determine whether:
 - The District complied with applicable competitive selection requirements (e.g., State Board of Education Rule 6A-1.012, Florida Administrative Code).
 - The contracts clearly specified deliverables, time frames, documentation requirements, and compensation.
 - District records documented satisfactory receipt of deliverables before payments were made.
 - The payments complied with contract provisions.
- From the population of expenditures totaling \$502,210 of selected non-Federal, non-capital grants and appropriations for the audit period, examined documentation supporting selected expenditures totaling \$40,954 to determine District compliance with restrictions imposed on the use of these resources.
- Evaluated District procedures for purchasing health insurance and examined related records to determine whether the District complied with Section 112.08, Florida Statutes. We also reviewed the reasonableness of procedures for acquiring other types of commercial insurance to determine whether the basis for selecting insurance carriers was documented in District records and conformed to good business practice.
- Examined District records and evaluated construction planning processes for the audit period to determine whether the processes were comprehensive, included consideration of restricted

resources and other alternatives to ensure the most economical and effective approach, and met District short-term and long-term needs.

- 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 each district school board 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.

A handwritten signature in blue ink that reads "Sherrill F. Norman". The signature is fluid and cursive, with the first name being the most prominent.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE



LIBERTY COUNTY SCHOOL DISTRICT KYLE PEDDIE, SUPERINTENDENT

Post Office Box 429 • 11051 NW SR 20 • Bristol, Florida 32321
Phone: (850) 643-2275 • Fax: (850) 643-2533 • www.lcsb.org

December 15, 2020

Ms. Sherrill F. Norman, CPA
Auditor General
State of Florida
G74 Claude Pepper Building
111 West Madison Street
Tallahassee FL 32399-1450

Dear Ms. Norman:

Pursuant to the provisions of Section 11.45(4)(d), Florida Statutes, I am responding to the findings cited in the Operational Audit of Liberty County School Board for the fiscal year ending June 30, 2020.

I would like to thank the members of your staff who conducted the audit for the efficient and courteous manner in which they did their job.

Our response are as follows:

Finding No. 1: The District will enhance procedures to ensure documented compliance with the required competitive negotiation process for professional services and State records retention requirements.

Finding No. 2: The District will ensure that the District realizes maximum cost savings under a GMP contract, the District will establish procedures to require and ensure documented verification CME payment requests agree with the GMP contract and that amounts requested for subcontractor services are supported and substantiated by applicable subcontractor contracts.

Finding No. 3: The District will establish procedures to require and ensure that District personnel verify and document that CMEs select and contract with subcontractors who submitted the lowest bids consistent with acceptable quality. In instances where the lowest bidder is not selected, such procedures will require District records to contain an explanation and justification. In addition, the District will request and obtain documentation from the High School Project CME that explains the basis for CME-awarded contracts to the mechanical and chain link fence services subcontractors and why certain CME-awarded contract amounts exceeded the subcontractor's bid amounts.

District I
James E. Flowers

District II
Jodi Bailey

District III
Darrel "Doobie" Hayes

District IV
Jason Singletary

District V
Charles "Boo" Morris III

An Equal Opportunity Employer / Drug Free Workplace

Finding No. 4: The District will establish policies and procedures for negotiating, monitoring, and documenting the reasonableness of general conditions costs included in GMP contracts. Such policies and procedures will require documentation of the methodology used and factors considered in negotiating those costs. In addition, the District will include provisions in GMP contracts to require that CMEs provide sufficient documentation to support and substantiate the general conditions costs for which the CME seeks reimbursement.

Finding 5: The Board will comply with State law and ensure future construction contracts contain penalties to be paid by the contractors for failing to comply with the contract terms. In addition, District records will document explanations and justifications for all construction contract extensions.

Finding 6: The District will continue efforts to comply with statutory transparency requirements by timely posting all required information on the District Web site.

Again, we wish to express our appreciation to your audit staff for the professional manner, in which the audit was conducted. We appreciate your recommendations and have taken necessary action to implement them. Liberty County has been diligent in the past in attempting to conduct their affairs in a correct and efficient manner, and we plan to continue in the same manner in the future. If you need additional information, please let me know.

Sincerely,



Brandon K Peddie, Superintendent
Liberty County School Board
BKP/sh