



MEMORANDUM

TO: Inspector General

FROM: L. Daniel Hutto, President

DATE: September 13, 2011

SUBJECT: Six-Month Follow-Up Response in accordance Section 20.055, Florida Statutes

**L. Daniel Hutto
President**

BOARD OF TRUSTEES

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In accordance with Section 20.055 Florida Statutes, the enclosure is a six-month follow-up attached for your review.

If you have questions, please do not hesitate to contact me at (904) 827-2210 or Terri Wiseman at (904) 827-2301 or wisemant@fsdb.k12.fl.us for response.

Enclosure

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**Florida School for the Deaf and the Blind
Administrative Response to Auditor General's
Recommendations
For the Fiscal Year Ended June 30, 2010**

Follow-Up Report In Accordance with F.S. 20.055

Finding No. 1: Subcontractor Procurement

Our review disclosed that the School could enhance its controls over construction contracting.

Recommendation: The School should enhance its monitoring of the subcontractor bid process to ensure that subcontractors are selected pursuant to competitive verbal quotes or written proposals, and bids are properly advertised in accordance with the CM agreements. The School should also ensure that it obtains copies of subcontracts and uses these to ensure that project invoices are in accordance with the subcontracts prior to making payment.

FSDB Response: We concur with the finding, and we are contemplating controls that will provide additional assurance that the contractual provisions of our construction contracts are enforced.

Follow-up: The FSDB Contract Administrator initiated a control procedure in March 2011 to assure compliance by construction managers when negotiating with subcontractors. A letter is sent to each construction manager with a copy placed in a binder in each project file in the Purchasing Department. The letter advises the construction manager that copies of bid advertisement for subcontractor services, contract, insurance, license and bond must be submitted to the Purchasing Department before payment will be made for the services. The Contract Administrator assures that the documents are in the project file before authorizing payment.

Finding No. 2: Legislative Budget Request and Facilities Master Plan

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

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

FSDB Response: We do not agree with your findings on the subjects of building maintenance and campus wide site. Specifically, we believe that we have fully complied with the law concerning our legislative requests for maintenance funding, and we will

provide you with a copy of our request to have your interpretation of the relevant laws reviewed by the Attorney General.

We will strive to update our planning documents in a timelier manner to reflect any major changes that occurred after the plan was initially developed. However, we do not anticipate that we will update the plan due to changes in cost estimates or minor changes in scope for previously planned projects.

Follow-up: Nothing further to add from the initial response.

Finding No. 3: Carryforward of Unexpended Appropriated Funds

The School did not include net unexpended appropriated funds carried forward in its annual operating budget, contrary to Section 1011.57(4).

Recommendation: The School should include all unexpended appropriated funds for the School and carried forward in its annual operating budgets to ensure that the Legislature and the public are aware of the School's carryforward balances.

FSDB Response: Except for appropriations provided for federal awards that may or may not be received, the School will include all unexpended appropriated funds, including any general revenue funds carried forward from the prior year, in its annual operating budgets. Such budgets will be amended to reflect any federal funding awarded. Certain necessary changes to our current budgetary procedures are subject to the approval of our Board of Trustees; however, there is no reason to expect approval will not be granted.

Follow-up: On March 18, 2011, the School presented to the School's Board of Trustees a revised 2010-2011 Operating Budget that included unexpended general revenue appropriations carried forward from prior years. The Board approved the revised budget. The School's Operating Budget for 2011-2012 was approved by the Board of Trustees at their meeting on August 26, 2011. The budget included the unexpended carry forward funds and proposed expenditures from these funds.

Finding No. 4: Purchasing Cards

The School's administration of purchasing cards needed improvement.

Recommendation: The School should revise its p-card policies to more clearly define the intent of its policy regarding its stated purpose to implement this program for "minor" and "small" purchases and provide guidance as to which employees or positions should be issued a p-card based on duties assigned. Based on the revised policies, the School should reevaluate whether employees that have been issued p-cards have need for a p-card. The School should also enhance its procedures to ensure that terminated employee's p-cards are canceled timely.

FSDB Response: During the fiscal year ending June 30, 2010, the School, acting on recommendations included in the Auditor General's Report No. 2010-151, implemented internal controls that significantly reduce the risk of misuse of our purchasing cards. We developed comprehensive policies and procedures to govern the use of purchasing cards, restricted the use of the card to travel only for a number of employees, and significantly reduced spending limits. However, the School concurs with the findings, and will implement the recommendations to further improve our purchasing card controls.

Follow-up: School Administration, in April 2011, amended its purchasing card operating policy to more clearly state the purpose and uses of the cards. Additionally, the School's Comptroller issued new guidelines for issuance of the purchasing cards. The Purchasing Card Administrator reviewed all card holders' usage of the cards and inactivated those that were infrequently used.

Finding No. 5: Tangible Personal Property

The School's asset management records and related controls over tangible personal property needed improvement.

Recommendation: The School should develop a comprehensive written property and inventory management procedures manual covering all areas of asset management, including procedures to timely record tangible personal property in the property records, attach tags to all property, ensure that locations are kept current in the property records, and timely reconcile the annual physical inventory to the property records. As part of this manual, policies and procedures should preclude custodian delegates from performing the annual physical inventory.

FSDB Response: The School concurs with the findings and will commit the resources and management attention necessary to implement the recommendations.

Follow-up: The School engaged the services of Thomas Howell Ferguson CPAs of Tallahassee, Florida, to perform an independent inventory of all tangible personal property. On June 29, 2011, the CPAs issued their report and findings of the engagement. The School's Comptroller performed a reconciliation of the findings to the State's property records and issued a supplemental report to the Board of Trustees. New procedures for marking, recording and updating property records have been adopted by the Property Custodian. New guidelines for property custodian delegates have been developed. A comprehensive property manual is being developed by FSDB staff and has been issued effective September 1, 2011.