



2012-2013 Food Service Procurement Review

Follow-Up of Audit Recommendations

Office of Internal Auditing
November 2014

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Preface

The Office of Internal Auditing serves to improve the fiscal accountability and enhance the public's perception of the management and operations of the Escambia County School District. This engagement strives to meet those objectives.

Audits, reviews, and other engagements are determined through a District-wide risk assessment process, and are incorporated into the annual work plan of the Office of Internal Auditing, as approved by the Audit Committee. Other assignments are also undertaken at the request of District management.

This engagement was conducted with the full cooperation of District operational staff. We did not encounter any restrictions to records or personnel, which would prohibit us from expressing an opinion or offering recommendations.

Any recommendations included in this engagement are designed to improve operations and serve as the basis for informed discussions related to policies and procedures.

This engagement was conducted in accordance with the International Standards for Professional Practice of Internal Auditing, as promulgated by the Institute of Internal Auditors.

We thank the Human Resource Services, Operations, Finance and Business Services, School Food Services staff, and General Counsel for their cooperation and commitment. We look forward to reviewing their progress when we follow-up on our recommendations.



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Executive Summary

Each year our office performs a Food Service Procurement Review based on procedures established by DOE/DOA. In July 2012, a new Food Services Director was hired. During the year, the District expressed concerns with known issues and practices related to Food Services procurement.

A formal investigation into allegations of misconduct by the Food Services Director, Ms. Gail Szoboszlay, was opened in January 2013. After a period of extended absence, Ms. Szoboszlay resigned effective February 25, 2013. In April 2013, prior to completion of the investigation, the District Investigator accepted a position outside of the District.

In an effort to complete the investigation and determine any opportunities for strengthening the District's processes, the Superintendent asked that we expand the scope of our yearly procurement review to include procurement-related matters noted in the investigation. In reviewing the investigative files and conducting fieldwork, we noted numerous allegations/matters, both procurement and non-procurement related, which we felt professionally obligated to help resolve. We conducted interviews, gathered documentation, performed research, and conducted testing. We detailed the results in our report (School Food Services) dated August 2013, as well as issued 59 recommendations.

Our objective was to follow-up on our previous audit recommendations and to determine whether appropriate corrective action had been taken. **Of our 59 recommendations, the District appears to have taken action sufficient to satisfy 49 of them. Another 10 are in a pending status with estimated dates of completion ranging from December 2014 to the end of the 2014-2015 fiscal year.**

Background

Guidelines issued by the DOE/DOA require an independent review of the District's food service procurement process to be conducted at least once per year by a person not directly involved in the food service function. This review has traditionally been performed by the Office of Internal Auditing and has been limited in scope to those specific procedures outlined in DOE/DOA Procurement Review Instrument. In the 2013 fiscal year, the scope of the review was expanded to include various other matters, both procurement-related and non-procurement related.

Objective

Our objective was to follow-up on our previous audit recommendations and to determine whether appropriate corrective action has been taken.

Scope

The scope of this engagement included all 59 recommendations from our 2012-2013 Food Service Procurement Review, which included the following:

- Recommendations related to Hiring
- Recommendations related to Bidding and Purchasing Activities
- Recommendations related to Equipment Verification
- Recommendations related to Equipment Disposal
- Recommendations related to Purchasing Cards
- Recommendations for Food Services and/or Food Services Accounting
- Recommendations for Human Resource Services
- Recommendations for Finance and Business Services
- General Recommendations

Methodology

We separated the recommendations by responsible department. We conducted interviews with District personnel from the Human Resource Services, Operations, Finance and Business Services (Finance), and School Food Services departments, as well as the General Counsel. For each recommendation, we acquired and reviewed sufficient evidence to allow a conclusion as to whether the recommendation had been addressed appropriately. For any recommendation that was pending action (i.e., the completion of an equipment assessment, drafting of a Standard Operating Procedure (SOP), etc.), we obtained an estimated completion date from the appropriate responsible department.

We have performed sufficient work and collected sufficient supporting documentation to reach a conclusion.

Follow-Up Testing Results

For a table detailing each recommendation's status, see Appendix A to this report. For information on pending recommendations, see Appendix B.

As mentioned previously, we separated our 59 recommendations by

responsible department (Superintendent, Human Resource Services, Finance, Operations, and General Counsel) and ensured that in doing so, all recommendations were accounted for.

Recommendations Related to the Superintendent (57, 59):

Recommendation #57 – Vendor Rewards Program – “We recommend District leadership research best practices of controls over vendor rebates/rewards programs and develop guidance for employees that can be consistently administered and relied upon.”

The Assistant Superintendent of Operations indicated the District researched best practices of controls over vendor rebates/rewards programs and developed a “Rewards” SOP.

We reviewed the “Rewards” SOP and it appears the SOP adequately addresses our recommendation. The Assistant Superintendent indicated that this SOP has been put to use throughout the District, specifically in the School Food Services department.

Recommendation #59 – Relationship between Finance and Operations – “We recommend District leadership work to repair the relationship between these two vital aspects of the District, neither of which can be successful without the other. Leaders in these areas need to address each other’s concerns, attempt to understand the importance of each other’s roles, and find a way to productively move forward.”

The Assistant Superintendents of Operations and Finance indicated that several meetings have taken place to discuss inter-departmental issues and to search for resolutions.

We interviewed District personnel from both departments to assess the current relationship between Finance and Operations. It appears that departmental leadership has met with each other and discussed their working relationships and have developed ways to move forward. Additionally, since the date of our original audit report, there have been significant changes in the leadership personnel in each department that will contribute to an improved working environment.

Recommendations Related to Human Resource Services (1-5, 48, 50, 56):

Recommendation #1 – Interview Checklist for Application Discrepancies – “We recommend a standard interview checklist be developed for use throughout the District. The checklist should include a step requiring intensive review of the application package and resolution of any discrepancies noted.”

The Assistant Superintendent of Human Resource Services indicated the Interview Checklist has been revised to include a step to review the application packet for discrepancies.

We have reviewed the revised checklist and it appears the revision adequately addresses our recommendation. The Assistant Superintendent of Human Resource Services has indicated that this checklist is used for all positions and has been used to identify several discrepancies throughout the hiring process, and has led to the direct disqualification of candidates.

Recommendation #2 – Stated Job Qualifications – “We recommend the District establish a policy whereby all candidates are evaluated based on the stated job qualifications. We recognize situations will exist where an otherwise qualified candidate may not meet the stated qualifications. As such, we recommend, at a minimum, additional consideration and/or preference should be given to candidates that meet all of the stated qualifications.”

The Assistant Superintendent of Human Resource Services indicated that steps have been added to the interview checklist that require District personnel to attest that either the applicant does meet all stated job qualifications or that the applicant does not, but is being recommended under “qualifications may vary” with an accompanying explanation of equivalent qualifications/experience.

It appears that this recommendation has been adequately addressed.

Action Pending

Recommendation #3 – Telephone Interviews – “We recommend that the use of telephone interviews be discouraged for all administrative positions. In extreme situations, virtual conferencing could be considered.”

The Assistant Superintendent of Human Resource Services indicated this item will be discussed at the “Mastering the Hiring Guidelines” workshop that will occur after FastTrack (a component of Skyward that is to replace WinOcular, the District’s current online hiring module) implementation.

This item is in a pending status and is estimated to be completed in the 2014-2015 fiscal year.

Recommendation #4 – Credit Checks – “We recommend a School Board Policy be developed requiring all candidates filling administrative or professional positions where they would exercise significant control over District resources be subject to credit checks, financial reviews, and/or bonding review. The District should work towards adopting this policy for current employees in those positions as well. The potential benefits of checks/reviews far outweigh the costs.”

The Assistant Superintendent of Human Resource Services indicated Chapter 2 of School Board Rules (SBR) has been revised to implement obtaining additional background screening, including but not limited to, financial information on prospective hires for certain District leadership positions.

We have reviewed the revisions to Chapter 2 of SBR and it appears the revision is sufficient to address our recommendation. The Assistant Superintendent of Human Resource Services indicated that this policy has been implemented and has been used for several recent hires.

Recommendation #5 – Step Zero – “We recommend that initial steps only be awarded to those candidates exceeding the stated job qualifications. If necessary, step increases could be awarded after a probationary period and effectiveness has been proven.”

Chapter 2 of SBR has been revised to include additional accountability related to the awarding initial steps (specifically noticing the Board through memorandum).

We have reviewed the revisions to Chapter 2 of SBR and it appears the revision is sufficient to address our recommendation. We have reviewed the appropriate memoranda issued to the Board for candidates hired after the adoption of the revised SBR.

Recommendation #48 – Communication During Investigations – “We recommend the District develop communication guidelines to be provided to witnesses during the initial phases of an investigation.”

The Assistant Superintendent of Human Resource Services indicated the District has developed recommended communication guidelines in “Prohibition of Retaliation with an Escambia County School District Investigation.” These guidelines are disseminated to all employees involved with District investigations. While this communication does not specifically address communication between employees, regardless of supervisory status, the expectation of limited communication is conveyed to all individuals involved in District investigations verbally by the individual handling the investigation.

We have reviewed these communication guidelines. It appears that these guidelines, paired with the verbal communication of the expectation of limited communication to all individuals involved in District investigations, adequately address this recommendation.

Recommendation #50 – Flex-Time/Telecommuting Policy – “We recommend Human Resources research best practices in the utilization of flex-time and telecommuting and develop a policy to be adopted by the

Board. Consideration should be given to actual current practice, whereby District administrators are empowered to approve short-term flexible working arrangements.”

Chapter 2 of SBR has been revised to include language related to flex-time working arrangements. District administrators are allowed the ability of approving short-term flexible work schedules for their respective departments.

We have reviewed the revisions to Chapter 2 of SBR, and it appears the revisions adequately address our recommendation.

Action Pending

Recommendation #56 – Vendor Solicitation – “We recommend District leadership research best practices of vendor solicitation and develop guidance for employees that can be consistently administered and relied upon.”

The Superintendent stated that the District has done research and developed guidance that is pending adoption. When adopted, the guidance will be included in annual information provided to employees.

This item is in a pending status. We have reviewed the draft language and it appears that once this draft has been adopted, this recommendation will be adequately addressed. The draft language is anticipated to be adopted as a revision to Chapter 5 of SBR by December 2014.

Recommendations Related to Finance (7, 9-14, 16, 18, 21-24, 29-33, 36-41, 51, 53-55):

Action Pending

Recommendation #7 – Use Purchase Orders – “We recommend that all items awarded on competitively bid contracts be ordered through the purchase order process. The purchases can still be paid via purchasing cards to reduce the District’s administrative burden and earn card rebates. This recommendation is not intended to limit the use of purchasing card payments, but to help ensure bid prices are paid. At a minimum, we recommend the District design procedures for cardholders to ensure bid prices are paid when purchases are made via purchasing cards.”

The Director of Purchasing stated that language will be added to the District Travel & Purchasing Card Manual to clarify that every effort should be made to ensure that items awarded via the competitive bid process be purchased from the vendor who has won the bid. Ensuring whether or not an item has been awarded via bid is the responsibility of the cardholder. Also, during the annual Food Service Procurement Review, Internal Auditing will perform additional procedures to assess whether or not bid prices are being paid for items awarded via competitive bids.

This item is in a pending status. Language will be added into the Travel & District Purchasing Card Manual by December 2014. In addition, procedures will be added to the annual Food Service Procurement Review performed by Internal Audit.

Recommendation #9 – Bid Routing Sheet – “We recommend Purchasing revise its “bid card file” and/or “bid routing sheet” to require Maintenance Department leadership to sign that they have reviewed RFP/bid specifications.”

The Assistant Superintendent of Finance stated that a new SOP has been created that is patterned after the most recent equipment re-bid efforts. The Bid Routing Document has been revised to require Maintenance Department leadership to sign that they have reviewed RFP/bid specifications.

We have reviewed the new SOP and it appears that it adequately addresses our recommendation.

Recommendation #10 – Vendor Cone of Silence – “We recommend a SOP be developed regarding vendor access to District facilities and staff when the vendor is potentially bidding on upcoming RFPs. At a minimum, administrators should be trained on allowable/disallowable communication during solicitation.”

The Assistant Superintendent of Finance indicated solicitation documents have been revised to include language that specifically address this cone of silence, what communication is appropriate with vendors participating in RFPs, and vendor site visits.

We have reviewed the revised solicitation documents addressing the cone of silence. It appears that the revisions address this portion of our recommendation. In regards to the vendor access to District facilities, we have reviewed Maintenance’s key check-out and log SOPs and feel they adequately express what is expected of District personnel when granting vendor access to District facilities. It appears that Ms. Szoboszlay granting unsupervised access to District facilities was an isolated incident and occurred as a voluntary circumvention of District policy.

Action Pending

Recommendation #11 – Approved Brands – “We recommend that Purchasing reject any RFP/bid specifications that do not contain at least 2 approved brands/models. Exceptions can be made for previously unused items, items based on student preference (e.g. food), or if the District is attempting to standardize. However, any exceptions should be documented and/or approved by both the Director of Purchasing and Assistant Superintendent over the area submitting the specifications.”

The Director of Purchasing indicated a process has been implemented whereby the purchasing agent obtains approval from the Assistant Superintendent of Operations for a one-brand bid prior to the bid being opened. The Director of Purchasing has also indicated that language clarifying this process will be added to the RFP/bid routing sheets going forward.

This item is in a pending status. We have reviewed e-mail correspondence from purchasing agents seeking this approval from the Assistant Superintendent of Operations. While this proves the process is in place, addition of this position into the RFP/bid routing sheets will occur in the near future. Once this language is added into the routing sheets, this recommendation will be adequately addressed.

Recommendation #12 – Evaluate Alternatives First – “We recommend that the decision to accept or reject alternatives be made separate and prior to evaluation committee members being provided bid prices.”

The Director of Purchasing indicated the District has added language into bid documents regarding their ability to accept or reject alternatives being made prior to proposal evaluation.

We have reviewed the additional language added into bid documents and it appears that this recommendation has been adequately addressed.

Action Pending

Recommendation #13 – Awarding by Lot – “We recommend that the decision to group items should be made prior to a RFP being issued. Recognizing that exceptions may occur when it may be in the District’s best interest to group items after that time, we recommend exceptions should be documented and/or approved by both the Director of Purchasing and Assistant Superintendent over the area submitting the specifications prior to the finalization of the tabulation.”

The Director of Purchasing stated that decisions concerning lots are approved by both himself and the Assistant Superintendent of Operations prior to RFPs being issued. In situations where lot decisions are made after an RFP has been issued, this same approval would be required. An e-mail will be sent detailing Purchasing’s official position on this recommendation to all agents.

This item is in a pending status. We have reviewed draft communication to be e-mailed from Director of Purchasing to all agents stating, “All items being “grouped”/“awarded by lot” in a solicitation document will be identified as such in the document. Should the best interests of the District dictate further “grouping” once the solicitation is released, this action, to include the reasons for the action, will be recorded in writing. The signatures of both the Director of Purchasing and Assistant

Superintendent over the area submitting the specification will be obtained signifying approval.” When this e-mail goes out to all agents, this recommendation will have been adequately addressed.

Recommendation #14 – Contingent Offers – “We recommend adding a statement to the RFP General Terms and Conditions or Special Conditions explicitly stating the District reserves the right to reject contingent offers.”

The Director of Purchasing indicated the District has added language into bid documents with regards to contingent offers. Specifically, the Additional Terms and Conditions states, “The School District reserves the right to reject offers containing terms and/or conditions contradictory to those requested in the solicitation.”

We have reviewed the language added into bid documents and it appears that this recommendation has been adequately addressed.

Recommendation #16 – Unauthorized KESCO Purchases – “We recommend Finance provide the Board a list of the unauthorized purchases.”

The Assistant Superintendent of Finance indicated that a list of the unauthorized KESCO purchases was provided to the Board in October of 2013.

We reviewed the list and it appears that this recommendation has been adequately addressed.

Action Pending

Recommendation #18 – Manufacturer’s Specification – “We recommend the General Terms and Conditions or Special Conditions of the RFP be amended to include a statement that all installations should be done per manufacturer’s specifications, unless otherwise noted in the RFP.”

The Director of Purchasing stated that the District has not prepared any RFPs involving equipment purchases subsequent to our Food Services Review. Currently, the District is working with the Food Service Department to develop specifications for an equipment related bid. As the District is early in the bid process, they have not yet developed a bid document that would include this recommended language. It is the District’s intent to including language in the “Special Conditions” of all future RFPs related to equipment purchases that includes directives such as, “The successful bidder shall deliver, set in place, install (meeting or exceeding local/State building codes and following manufacturer’s installation specifications to ensure all implied/standard/extended warranties will be honored.”

Action Pending

This item is in a pending status. This bid is expected to be finalized in the near future, and with this language added to all future equipment bids, this recommendation will be adequately addressed.

Recommendation #21 – Serial Numbers on Invoices – “We recommend the RFP General Term and Conditions or Special Conditions be amended to include a statement requiring vendors to document on the invoice the serial numbers of equipment provided.”

Currently, the District is working with the Food Service Department to develop specifications for an equipment related bid. As the District is early in the bid process, they have not yet developed a bid document that would include this recommended language. It is the District’s intent to including language in the “Special Conditions” of all future RFPs related to equipment purchases that includes directives such as, “All invoices, packing lists, and relevant documentation should reference the appropriate Purchase Order number and, if applicable, the serial numbers of any equipment purchased...”

This item is in a pending status. This bid is expected to be finalized in the coming weeks, and with this language added to all future equipment bids, this recommendation will be adequately addressed.

Recommendation #22 – Serial Number Before Payment – “We recommend that Accounting Operations, prior to payment, ensure that all invoices for equipment purchases include serial numbers.”

The Director of Purchasing indicated a step has been added into the A/P Checklist that requires personnel ensure serial numbers are included on invoices for equipment.

We have reviewed the revisions to the A/P checklist and it appears that this recommendation has been adequately addressed.

Recommendation #23 – Invoice Verification – “We recommend School Board Policy be amended to include a requirement that all invoices be reviewed for accuracy and completeness, and that the review be documented via signature/initials and date. This verification must be done by an individual directly involved with the purchase and goods/services received.”

The Director of Accounting Operations indicated that this approval process is met through processes inherent to Skyward’s credit card module. Each day, a log of transactions is sent to the District by the bank. Once received, this log is uploaded into Skyward to bring the transactions into the system. Card managers are then responsible for coding the transactions based on information received by the purchaser. Once these items are coded and

approved at that level, they are then sent for a second level of approval. The second level of approval, is typically performed by the actual cardholder. It is at this level that the cardholder is approving the completeness and accuracy of invoices and other information related to the transaction. After this level of approval, the transaction is sent to the Budgeting department for final approval. It is the District's position that the approval by the cardholder in Skyward is essentially the same as physical initials and a date on an invoice. In some instances the cardholder is not the second-level approver; however, the cardholder is required to sign the credit card statement each month, which is intended indicate approval of all invoices contained therein.

Based on discussions with District personnel and review of the Skyward processes, it appears that the spirit of this recommendation has been adequately addressed.

Recommendation #24 – Revised KESCO Invoices – “We recommend the revised invoices be uploaded and attached to the original purchases in the Skyward system.”

The Assistant Superintendent of Finance indicated that the revised invoices have been uploaded and attached to the original purchases in Skyward, as recommended.

We randomly selected 5 invoices to verify that revised invoices had been uploaded into Skyward and attached to the original purchase. With the help of Food Services Accounting, we were able to verify that all five of our selected invoices had revised invoices uploaded into Skyward and attached to the original purchases. It appears this recommendation has been adequately addressed.

Recommendation #29 – Continuous P-Card Training – “We recommend all cardholders attend remedial training at regular intervals of 3-5 years, or as a matter of course, training could be attended as cards expire and are reissued.”

The Assistant Superintendent of Finance indicated information has been added to the revised Travel & District Purchasing Card Manual related to providing continuous p-card training. The specifics are:

- Existing cardholders must read the Manual and sign the Certification of Required Reading form before the p-card can be issued.
- Card Managers must read the Manual and sign the Certification of Required Reading form every two years in the month of January.

We have reviewed the revised Travel & District Purchasing Card Manual and it appears that this recommendation has been adequately addressed.

Recommendation #30 – Cardholder Agreement Form – “We recommend the Agreement form be signed at the mandatory purchasing card training required prior to card issuance. This process would ensure signed Agreement forms are on file prior to utilization of cards.”

The Assistant Superintendent of Finance indicated information has been added to the revised Travel & District Purchasing Card Manual related to the Cardholder Agreement Form being signed at their mandatory training before being issued a card.

We have reviewed the revised Travel & District Purchasing Card Manual and it appears that this recommendation has been adequately addressed.

Recommendation #31 – P-Card Purchase Descriptions – “We recommend the District’s Travel & Purchasing Card Manual be revised to require more detailed narrative descriptions of purchases, and that this requirement be communicated to all purchasing card managers.”

The Assistant Superintendent of Finance indicated the Purchasing Card Handbook was updated to include, “The description must be detailed enough to easily identify the purchase.” In addition, the Skyward training manual has language to include detailed descriptions.

We have reviewed the revised Purchasing Card Handbook and the Skyward training manual and it appears that this recommendation has been adequately addressed. The Assistant Superintendent of Finance indicated that the descriptions being entered after the implementation of this recommendation have been satisfactory. In addition, we randomly chose ten transactions, and noted that the descriptions for all ten were detailed enough to be easily identifiable.

Recommendation #32 – P-Card Receipt Verification – “We recommend the District’s Travel & Purchasing Card Manual be revised to require all purchasing card invoices/receipts be reviewed for accuracy and completeness, and that the review be documented via signature/initials and date.”

The Director of Accounting Operations indicated that this approval process is met through processes inherent to Skyward’s credit card module. Each day, a log of transactions is sent to the District by the bank. Once received, this log is uploaded into Skyward to bring the transactions into the system. Card managers are then responsible for coding the transactions based on information received by the purchaser. Once these items are coded and approved at that level, they are then sent for a second level of approval. The second level of approval, is typically performed by the actual cardholder. It is at this level that the cardholder is approving the completeness and accuracy of invoices and other information related to the

transaction. After this level of approval, the transaction is sent to the Budgeting department for final approval. It is the District's position that the approval by the cardholder in Skyward is essentially the same as physical initials and a date on an invoice. In some instances the cardholder is not the second-level approver; however, the cardholder is required to sign the credit card statement each month, which is intended indicate approval of all invoices contained therein.

Based on discussions with District personnel and review of the Skyward processes, it appears that the spirit of this recommendation has been adequately addressed.

Recommendation #33 – Splitting P-Card Charges – “We recommend Finance make a definitive determination regarding this scenario (whether ordering the same type of items from the same vendor, but having those items shipped to different locations is considered splitting charges), incorporate the guidance into the Manual, and communicate it to cardholders and purchasing card managers.”

The Assistant Superintendent of Finance indicated information has been added to the Travel & District Purchasing Card Manual related to a definition for, and examples of, what constitutes split purchases. The Manual states, “Typical unallowable splitting to purchase may occur when a department utilizes multiple card accounts to purchase from a single vendor to include shipping to a single location or multiple locations.”

We have reviewed the Travel & District Purchasing Card Manual and it appears that this recommendation has been adequately addressed.

Recommendation #36 – Timelier P-Card “Audits” – “We recommend Accounting Operations take the necessary steps to perform “audits” in a more timely and consistent manner.”

The Assistant Superintendent of Finance indicated the Finance department has changed their methodology for “auditing” p-card transaction from testing of 100% of the transactions in a given month to a 20% sample. The department is now current in its review.

We have recently reviewed Finance’s sampling methodology used for “auditing” p-card transactions and determined it reasonable. As a result of the methodology change, it appears that the p-card “audits” are being performed in a more timely and consistent manner and that this recommendation has been adequately addressed.

Recommendation #37 – Prioritize P-Card “Audits” – “We recommend at a minimum that “audits” be prioritized, perhaps based on total transactions amount, and in time of high demand those cards’ transactions be “audited”

first.”

As mentioned above in recommendation #36, the Finance department has changed their methodology for “auditing” p-card transactions. The Director of Accounting Operations stated that in addition to the 20% sample mentioned above, Accounts Payable personnel also judgmentally selects items to include in their review based on total volume of transactions and dollar amount of transactions.

We have recently reviewed Finance’s sampling methodology and determined it reasonable. It appears that this recommendation has been adequately addressed.

Recommendation #38 – After Hours P-Card Transactions – “We recommend Accounting Operations’ purchasing card “audit” procedures be revised to include steps to identify and conduct further analysis of purchasing card transactions made during non-business hours.”

The Assistant Superintendent of Finance indicated that a revised “Audit Worksheet” has been created for p-card “auditors” to use that includes a step to pay special attention to transactions that occurred after hours (i.e., weekends/holidays, etc.).

We have reviewed this “Audit Worksheet” and it appears that this recommendation has been adequately addressed.

Recommendation #39 – P-Card Best “Auditing” Best Practices Training - “Should Accounting Operations personnel continue to “audit” purchasing card transactions; we recommend they be trained in purchasing card auditing best practices.”

The Director of Accounting Operations indicated that training was provided to District personnel regarding best practices for “auditing” p-card transactions.

It appears this recommendation has been adequately addressed.

Recommendation #40 – Data Mining Software – “We recommend the District research the data mining capabilities of the Skyward system, and evaluate the need to purchase stand-alone data mining and analysis software.”

The Director of Accounting Operations indicated the District has determined exporting Skyward data into Excel is sufficient to analyze purchasing card transactions, both in selecting the sample and identifying transactions high in dollar figure and/or volume. Purchasing stand-alone data mining and analysis software is not necessary at this time.

It appears this recommendation has been sufficiently addressed.

Recommendation #41 – Dedicated P-Card Auditor(s) – “We recommend the District consider staff whose main job duties are dedicated to auditing purchasing card transactions.”

The Assistant Superintendent of Finance indicated the Finance department has changed their methodology for “auditing” p-card transactions from testing of 100% of the transactions in a given month to a 20% sample. As such, it is believed current staffing is sufficient to manage the “audits” and to remain current.

Although the District has decided not to hire p-card auditors whose sole job duties are to audit p-card transactions, it has made several changes to their processes. In addition to the changes in methodology for auditing transactions mentioned above, the District has also moved their functions from Resolve (the old system) into Skyward. The process in Skyward includes additional levels of review that were not present in Resolve. There are processes for approval starting with the card manager that enters and codes transactions, to the cardholder, and also the department head level that has ultimate approval. It appears that the processes related to Skyward and the change to the auditing methodology are sufficient to address the spirit of our recommendation.

Recommendation #51 – Fraudulent Travel Claims – “We recommend the travel experts in Finance review our overpayment calculations. Once reviewed, we recommend the District take necessary actions, including legal action if applicable, to recover any amounts owed from Ms. Szoboszlay.”

General Counsel indicated that communication was sent to Ms. Szoboszlay’s legal representation on May 7, 2014 outlining restitution sought.

We have reviewed the communication and it appears that this recommendation has been adequately addressed. However, as of the date of this report, no amounts owed have been recovered. The District continues to cooperate with the State Attorney’s office as needed.

Recommendation #53 – Purchasing Agents at all Bid Opening and Evaluations – “We recommend a purchasing agent be present at all bid openings and bid evaluations throughout the District.”

The Director of Purchasing indicated that purchasing agents are present at all bid openings and evaluations throughout the District.

We reviewed a copy of a recent bid document, noting that a Purchasing Agent’s initials are present at bid opening and evaluation. It appears that this recommendation has been sufficiently addressed.

Action Pending

Recommendation #54 – Hide P.O. Numbers until Fully Approved – “We recommend Finance work with Skyward representatives to develop a solution that will either prevent the purchase order number from being generated upon initial approval, will hide the purchase order number until the last approval is granted, or will at a minimum delay the sending of the notification email until final approval has been granted.”

The Assistant Superintendent of Finance has indicated this item is pending. The District has addressed this recommendation with an independent Skyward consultant, as well as Skyward representatives. The Finance department will consider this issue along with all other programming issues during its continuous evaluation of software enhancements. All programming needs are prioritized, submitted, and evaluated by associated costs and complexity of programming changes. There is no timeline for feasibility of a resolution.

This item is in a pending status. It appears that the District has taken action to develop a solution per our recommendation. We will follow-up in the near future.

Action Pending

Recommendation #55 – P.O. Ship To Dates – “We recommend Finance work with Skyward representatives to develop a solution that will at a minimum result in the default date being the day of or day after the final approval and issuance of the purchase order instead of generating a date equal to the initial approval, which may be days prior to the final approval.”

The Assistant Superintendent of Finance has indicated this item is pending. The District has addressed this recommendation with an independent Skyward consultant, as well as Skyward representatives. The Finance department will consider this issue along with all other programming issues during its continuous evaluation of software enhancements. All programming needs are prioritized, submitted, and evaluated by associated costs and complexity of programming changes. There is no timeline for feasibility of a resolution.

This item is in a pending status. It appears that the District has taken action to develop a solution per our recommendation. We will follow-up in the near future.

Recommendations Related to Operations (6, 8, 19, 25-28, 34-35, 42-47, 52):

Recommendation #6 – Mentors – “We recommend the District develop a procedure whereby all new administrators are assigned a successful District leader as a mentor.”

The Superintendent is currently assigning mentors for all positions and will continue to do so for all future administrator positions filled. Currently, the Operations and Curriculum and Instruction departments are using this protocol. Also, Principals and Assistant Principals are assigned mentors as recommended.

It appears this recommendation has been adequately addressed.

Recommendation #8 – SOP for RFPs – “We recommend Operations work with Purchasing to develop a SOP to govern the RFP process for all Operations departments. Any such SOP should require specifications to be reviewed by the Maintenance and Facilities Departments for consideration of warranty and serviceability issues.”

The Assistant Superintendent of Operations indicated a new SOP patterned after the most recent equipment re-bid efforts has been created. The SOP states, “Specifications should be provided for review/input to all Partner Departments that will interact with the product or be affected by vendor performance.” In addition, “Specification should include, but is not limited to: ... detailed service requirements... warranty...”

We have reviewed the new SOP and it appears that this recommendation has been adequately addressed.

Recommendation #19 – Equipment Certification – “We recommend the effected equipment and their installations be certified by the manufacturer representatives.”

The District Maintenance Supervisor indicated that the Hobart (supplier of the equipment in question) Branch Manager has communicated that the warranty coverage is valid and in place. This warranty coverage has been in place since the equipment was purchased, regardless of whether or not a factory certified start-up or installation was performed. Also, per communication with the Hobart Branch Manager, the ovens were inspected after the changes were made to the gas lines, and that the gas lines “were not a safety issue, rather a performance issue.”

Based on communication with the District Maintenance Supervisor and the local Hobart Branch Manager, it appears that this recommendation has been sufficiently addressed.

Recommendation #25 – Surplus Operations – “We recommend the District raise awareness of the Surplus Operations shop and the established procedures for handling excess items. The logistical and staffing needs of the Surplus Operations area may need to be evaluated in relation to the current and anticipated revenues which are received from its efforts.”

The Surplus Operations Manager indicated the Surplus Operations department and the Manager’s role are discussed at all Principal pool meetings in an effort to raise awareness. The Assistant Superintendent of Operations stated that all procedures and roles of the Surplus Operations Manager are detailed in various SOPs. Also stated by the Assistant Superintendent of Operations, Ms. Szoboszlay simply circumvented these processes and controls in place.

We reviewed several Surplus Operations SOPs in place regarding the roles and duties of the Surplus Operations Manager. It appears that current Surplus Operations SOPs in place are sufficient and that Ms. Szoboszlay’s actions related to this department were isolated to her.

Recommendation #26 – Altered Equipment – “We recommend Operations confer with General Counsel and/or DOE/DOA to determine the legitimacy of Ms. Szoboszlay’s concern regarding altered equipment, and develop a SOP if necessary.”

The Assistant Superintendent of Operations indicated all equipment is sold in an “as-is” state and the District does not condone alterations of equipment unless done by a factory representative with appropriate documentation supporting all alterations. General Counsel believes that the steps the District has taken regarding auctioning (and explicitly stating as such) equipment “as-is” are sufficient to protect the District from any potential future liability related to auctioned equipment.

We reviewed auction contracts, noting that prior to each auction, the auctioneer must read several legal disclaimers with one of which being that all items are sold “as-is.” We also reviewed copies of tickets given to each buyer noting items were sold “as-is. Based on this review, and discussion with General Counsel, it appears that this recommendation has been adequately addressed.

Recommendation #27 – Surplus Operations Manager – “We recommend that once the decision has been made that an item cannot be re-used, leadership should defer to the opinion of the Surplus Operations Manager.”

The Assistant Superintendent of Operations indicated that all procedures and roles of the Surplus Operations Manager are detailed in various SOPs, and that Ms. Szoboszlay merely circumvented these processes and controls in place.

Per review of Surplus Operations SOP 03-01-h2, language was noted stating, "... the Surplus Manager will make a final disposition based on historic auction sales and/or discussions with the District Auctioneer to determine salability." It appears that this recommendation has been adequately addressed.

Recommendation #28 – Food Services P-Card Training – "We recommend that all current cardholders and the purchasing card manager in Food Services attend refresher purchasing card training."

The Director of Purchasing indicated the Travel & District Purchasing Card Manual has been revised to address p-card training. Also, all School Food Services cardholders were trained on September 17, 2013.

We have reviewed the revised Travel & District Purchasing Card Manual, and it appears that this recommendation has been adequately addressed (see recommendations #29 and #30).

Recommendation #34 – Direct Deliveries – "We recommend Operations leadership determine the preferred method of distribution and develop a SOP allowing or disallowing the direct distribution process. Consideration should be given to potential cost savings related to shipping. If allowed, the SOP should include guidelines to ensure accountability of inventory."

The Assistant Superintendent of Operations indicated an SOP has been developed that states, "It is acceptable, and in most cases operationally more efficient, for vendors to provide materials directly to departments, schools, and centers rather than through the central warehouse. However, to ensure appropriate accountability, the following procedure shall apply: In no case shall direct deliveries of materials or consumables be authorized when the total value of said deliverables exceeds the School Board threshold."

We have reviewed the SOP and it appears that this recommendation has been adequately addressed. The Assistant Superintendent of Operations indicated that there have not been any direct deliveries that have exceeded the District threshold.

Recommendation #35 – P-Card Best Practices – "We recommend Food Services personnel review the District's Travel & Purchasing Card Manual for established policies and procedures and best practices, including utilizing the purchasing portal and Warehouse."

The Assistant Superintendent of Operations and the Director of Accounting operations indicated that District personnel met and discussed best practices for "auditing" p-card transactions. Users were then trained in how to execute their duties in Skyward and in the best practices adopted by

the District for “auditing” p-card transactions.

It appears this recommendation has been adequately addressed.

Recommendation #42 – Regulations Impact - “We recommend current Food Services leadership address the School Board and summarize the changes in regulations that did occur, discuss their impact (nutritional, fiscal, meal count, etc.) on the District during the 2013 fiscal year, and provide details on any future plans.”

The Director of School Food Services provided a presentation to the Board in March 2014 summarizing the changes in regulations that have occurred, and their impact on the District.

We have reviewed the presentation and it appears that this recommendation has been adequately addressed.

Recommendation #43 – Reduce Net Cash Resources – “We recommend Food Services and Food Services Accounting develop an achievable action plan to reduce net cash resources. This plan should be presented to the School Board, or if previously developed, the status of the plan should be presented.”

The Assistant Superintendent of Operations indicated a plan to reduce net cash resources has been provided to the School Board as part of Management’s Response to our original report. The Director of School Food Services also stated that this list was also sent to DOA with a response letter from DOA dated April 19, 2013. Food Service personnel, in conjunction with Food Service Accounting have analyzed District operations over the prior fiscal year and determined that the District no longer has cash resources in excess of DOE/DOA requirements.

We reviewed Food Service Accounting’s information and it appears that this matter has been resolved.

Recommendation #44 – Equipment Replacement Cycle – “We recommend Food Services, with the assistance of other Operations departments, conduct an organized District-wide needs assessment and develop an equipment replacement schedule/cycle.

The Assistant Superintendent of Operations has developed an equipment replacement cycle via the creation of an SOP.

We have reviewed this SOP and it appears this recommendation has been adequately addressed.

Recommendation #45 – Model Cafeterias – “To ensure consistency throughout the District when building, replacing, or remodeling, we recommend Food Services develop model cafeterias, perhaps based on grade levels served.”

The Assistant Superintendent of Operations indicated Ferry Pass Elementary is the current prototype elementary school kitchen, the new Ernest Ward Middle will be the prototype middle school kitchen, and Escambia High is the prototype high school kitchen.

We reviewed the cafeteria layouts for these 3 model schools. It appears that this recommendation has been adequately addressed.

Recommendation #46 – Amounts Owed by Ms. Szoboszlay – “We recommend the Food Services follow established practices for collection of amounts owed the District for Ms. Szoboszlay’s children’s outstanding meal account balances. The District should also determine if any action is required regarding receipt of the older iPad.”

The Assistant Superintendent of Operations indicated Food Services has followed established practices for collection of amounts owed the District for Ms. Szoboszlay’s children’s outstanding meal account balances. The District has made the determination that no action is required regarding receipt of the older iPad as the disparity in models between the iPad2 and 3 is of nominal value. In addition, the District has created SOPs for Employee Restitution and Meal Charging and Personal Checks.

We have reviewed the communication seeking restitution (see recommendation #51). We have also reviewed the relevant SOPs and it appears that this recommendation has been adequately addressed.

Recommendation #47 – Fictitious Meal Reimbursements – “We recommend Food Services and Food Services Accounting determine the extent of the over-claimed meals, draft the required written communication to DOA/DOE, and return any excess reimbursements received.”

The Assistant Superintendent of Operations and the Director of School Food Services indicated the District has notified DOA/DOE of overpayment by letter dated September 10, 2013, and repaid all amounts owed as a result of these overpayments.

We have reviewed various correspondence between the District and DOA/DOE. We verified the District has repaid all amounts owed related to the previously identified high school. Upon further investigation, an elementary school was also identified as having over-claimed meals. We verified that these amounts were repaid. It appears this recommendation

has been adequately addressed.

Recommendation #52 – Decorations Policy with Limits – “We recommend Food Services utilize Finance’s expertise to develop guidelines and limitations for expenditures made from Food Services funds to enhance the appearance of cafeterias.”

The Assistant Superintendent of Finance and the Director of School Food Services stated that all cafeteria improvements projects are reviewed for fiscal appropriateness with School Food Services department, Assistant Superintendent of Operations, and Executive Staff. The Assistant Superintendent of Operations and the Director of School Food Services have developed an SOP that includes guidance and limits for cafeteria decorations.

We have reviewed this SOP and it appears that this recommendation has been adequately addressed.

Recommendations Related to General Counsel (15, 17, 20, 49, 58):

Recommendation #15 – Warranty Service Waiver – “We recommend Operations work with Purchasing and General Counsel to develop a waiver to be signed by KESCO and the District that would allow the District to utilize other warranty service vendors for equipment purchased under the RFP.”

General Counsel stated that during the KESCO debarment hearing, KESCO admitted that their intention was not to limit the District’s ability to seek alternative vendors for warranty service work. A memo will be drafted detailing the District’s official position and opinion.

Memo stating the District’s official position and opinion on the matter has been developed and disseminated. It appears this matter has been adequately addressed.

Recommendation #17 – Unauthorized Purchases Language Interpretation – “We recommend General Counsel research the issue and issue a legal opinion on the matter.”

General Counsel indicated this item was brought to the “General Discussion Session” at the School Board Attorney’s Conference, and that guidance was obtained. A memo in relation to this recommendation has been drafted and made available throughout the District.

We have reviewed the memo and it appears this recommendation has been adequately addressed.

Action Pending

Recommendation #20 – Right to Audit and Inspect – “We recommend the School Board, in consultation with the Superintendent and District leadership discuss this audit, and determine the necessity of invoking the District’s right to inspect and/or audit KESCO’s records. At a minimum, a SOP should be developed to document a procedure and/or decision tree for when to invoke this right, and a general guide on how it would be performed.”

The Superintendent stated that the District has researched and developed appropriate guidance related to this recommendation.

This item is in a pending status. We have reviewed the draft language and it appears that once this draft has been adopted, this recommendation will be adequately addressed. The draft language is anticipated to be adopted as a revision to Chapter 5 of SBR by December 2014.

Recommendation #49 – Failure to Submit Leave/Overpaid Wages – “We recommend Human Resources and Payroll determine the actual amount of overpaid wages and seek reimbursement from Ms. Szoboszlay.”

A letter dated May 7, 2014, detailing amounts sought as restitution was submitted to Ms. Szoboszlay’s legal representation by General Counsel.

We have reviewed the communication and it appears that this recommendation has been adequately addressed. However, as of the date of this report, no amounts owed have been recovered. The District continues to cooperate with the State Attorney’s office as needed.

Recommendation #58 – Training on Forgery – “We recommend the General Counsel provide training/guidance to District leadership, which can be distributed to employees, that discusses the dangers of forging signatures/initials, making false statements, and attesting to inaccurate/false statements or information.”

General Counsel indicated training was provided to District leadership in November 2013 related to forgery and other criminal law issues.

We have reviewed the presentation provided to District personnel and it appears that this recommendation has been adequately addressed.

Conclusion

Of our 59 recommendations, the District appears to have taken action sufficient to satisfy 49 of them. Another 10 are in a pending status with estimated dates of completion ranging from December 2014 to the end of the 2014-2015 fiscal year.

Appendix A – Status of Recommendations

Recommendation Number	Recommendation Description	Status	Communicated Estimated Completion Date
1	Interview Checklist Step for Application Discrepancies	Done	N/A
2	Stated Job Qualifications	Done	N/A
3	Telephone Interviews	Pending	2014-2015 Fiscal Year
4	Credit Checks	Done	N/A
5	Step Zero	Done	N/A
6	Mentors	Done	N/A
7	Use Purchase Orders	Pending	2014, December
8	SOP for RFPs	Done	N/A
9	Bid Routing Sheet	Done	N/A
10	Vendor Cone of Silence	Done	N/A
11	Approved Brands	Pending	2014, December
12	Evaluate Alternatives First	Done	N/A
13	Awarding by Lot	Pending	2014, December
14	Contingent Offers	Done	N/A
15	Warranty Service Waiver	Done	N/A
16	Unauthorized KESCO Purchases	Done	N/A
17	Unauthorized Purchases Language Interpretation	Done	N/A
18	Manufacturer's Specifications	Pending	2014, December
19	Equipment Certification	Done	N/A
20	Right to Audit and Inspect	Pending	2014, December
21	Serial Number on Invoices	Pending	2014, December
22	Serial Number before Payment	Done	N/A
23	Invoice Verification	Done	N/A
24	Revised KESCO Invoices	Done	N/A
25	Surplus Operations	Done	N/A
26	Altered Equipment	Done	N/A
27	Surplus Operations Manager	Done	N/A
28	Food Services P-Card Training	Done	N/A
29	Continuous P-Card Training	Done	N/A

Recommendation Number	Recommendation Description	Status	Communicated Estimated Completion Date
30	Cardholder Agreement Form	Done	N/A
31	P-Card Purchase Descriptions	Done	N/A
32	P-Card Receipt Verification	Done	N/A
33	Splitting P-Card Charges	Done	N/A
34	Direct Deliveries	Done	N/A
35	P-Card Best Practices	Done	N/A
36	Timelier P-Card Audits	Done	N/A
37	Prioritize P-Card Audits	Done	N/A
38	After Hours P-Card Transactions	Done	N/A
39	P-Card Auditing Best Practices Training	Done	N/A
40	Data Mining Software	Done	N/A
41	Dedicated P-Card Auditor(s)	Done	N/A
42	Regulations Impact	Done	N/A
43	Reduce Net Cash Resources	Done	N/A
44	Equipment Replacement Cycle	Done	N/A
45	Model Cafeterias	Done	N/A
46	Amounts owed by Ms. Szoboszlay	Done	N/A
47	Fictitious Meals Reimbursements	Done	N/A
48	Communication During Investigations	Done	N/A
49	Failure to Submit Leave/Overpaid Wages	Done	N/A
50	Flex-time/Telecommuting Policy	Done	N/A
51	Fraudulent Travel Claims	Done	N/A
52	Decorations Policy with Limits	Done	N/A
53	Purchasing Agents at all Bid Openings and Evaluations	Done	N/A
54	Hide P.O. Numbers until Fully Approved	Pending	2014, December

Recommendation Number	Recommendation Description	Status	Communicated Estimated Completion Date
55	P.O. Ship To Dates	Pending	2014, December
56	Vendor Solicitation	Pending	2014, December
57	Vendor Rewards Program	Done	N/A
58	Training on Forgery	Done	N/A
59	Relationship between Finance and Operations	Done	N/A

Summary	
Done	49
Pending	10

Appendix B – Pending Recommendations

Number	Description	Action Pending	Estimated Completion Date
3	Telephone Interviews	Implementation of FastTrack	2014-2015 Fiscal Year
7	Use Purchase Orders	Revision to Travel & District Purchasing Card Manual	December 2014
11	Approved Brands	Inclusion of language in RFP/bid routing sheet	December 2014
13	Awarding by Lot	E-mail to purchasing agents clarifying and outlining District policies	December 2014
18	Manufacturer's Specifications	Finalization of Food Services equipment bid	December 2014
20	Right to Audit and Inspect	Adoption of revision to Chapter 5 of SBR	December 2014
21	Serial Number on Invoices	Finalization of Food Services equipment bid	December 2014
54	Hide P.O. Numbers Until Fully Approved	Skyward software updates/enhancement	2014-2015 Fiscal Year
55	P.O. Ship To Dates	Skyward software updates/enhancement	2014-2015 Fiscal Year
56	Vendor Solicitation	Adoption of revision to Chapter 5 of SBR	December 2014