St. Johns County School District

Internal Audits of

IDEA and Title I Grant Management

Prepared By:
Internal Auditors

McGladrey

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May 15, 2012

The Audit Committee of the
St. Johns County School District, Florida
40 Orange Street
St. Augustine, Florida 32084

Pursuant to the St. Johns County School District ("District") approved 2011/2012 internal audit plan, we hereby submit our internal audit report covering the Individuals with Disabilities Education Act (IDEA) and Title I grant management processes. We will be presenting this report to the Audit Committee at the next scheduled meeting on July 24, 2012.

This report is organized into two separate reports for IDEA and Title I in the following areas:

Executive Summary	This provides a summary of the issues related to our internal audit of the IDEA and Title I grant management processes.
Background	This provides an overview of the grant program and specific District statistics relative to the IDEA and Title I programs.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues Matrix	This section gives a description of the issues and recommended action, as well as management's response.
Process Maps	This section provides a process map depicting the flow of the IDEA and Title I grant management processes at the District.

We would like to thank the various departments and all those involved in assisting the Internal Auditors in connection with the internal audit of the grants management process over the IDEA and Title I grant programs.

Respectfully Submitted,

McGladrey LLP

IDEA

Executive Summary

Executive Summary

The primary purpose of this internal audit was to assess the design adequacy and operating effectiveness of the internal control structure in place over the grants management process, specifically related to the IDEA program. Our approach focused on determining whether proper controls exist and whether existing controls are appropriate for mitigating inherent risks.

Due to the amount of funding being provided to the District in the form of IDEA grant funding ($7.6 million during FY 2012), we determined, in conjunction with the Audit Committee, that it was the appropriate time to evaluate the controls in place, perform operating effectiveness testing and complete a readiness assessment to ensure the District has the capability of meeting the IDEA program's existing and potential reporting and compliance requirements in the wake of the heightened awareness over transparency and accounting in government.

The following table is a summary of the District's IDEA grant funding for the past 3 years, as reported to the Florida Department of Education (FDOE):

FY	Budget	Expended	Balance	Utilization %
2009	$ 5,034,608	$ 4,691,750	$ 342,858	93%
2010	5,600,965	4,312,932	1,288,033	77%
2011	13,013,518	10,909,970	2,103,548	84%
Totals	**$ 23,649,091**	**$ 19,914,652**	**$ 3,734,439**	**84%**

During the course of our work, we discussed the control design and operating effectiveness with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix. Each issue is assigned a relative risk factor. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business. The following is a high level summary of the major issues identified during our audit of the IDEA grant management process:

IDEA Issues Summary	Relative Risk
1. **Grant Budget-to-Actual Monitoring and Reporting:** We reviewed the last three years of the IDEA program and noted undisbursed balances, as reported on the annual report to the State. We also noted that there was no formal, clear documentation of the IDEA philosophy for planned spending, the methodology for determining which schools would receive direct funding, and periodic updates as to changes during the year, including the use of set-asides and the reserves. In addition, we noted no end of year analysis of original budget to actual program costs, including specific details of variances.	**High**
2. **Review and Reconciliation of Time and Effort Reporting:** We noted the employee time and effort reports are directly submitted to the Director of Accounting and Payroll and not reviewed by the grant team/department responsible over grant monitoring and oversight. We also noted that Personnel Activity Report (PAR) documentation maintained by the employees is not reviewed for existence and reasonableness, nor is a reconciliation of actual and budgeted time and effort performed. The above could result in reporting errors that are not detected in a reasonable time period or at all.	**Moderate**

IDEA Issues Summary	Relative Risk
3. **Succession Planning and Documented IDEA Procedures** – We noted during our interviews with District personnel that there is no formal succession plan for the department. The Director for Exceptional Student Education and the Executive Director for Accountability and Intervention Services have been with the District for a significant amount of time, rendering their personal knowledge of the programs and expertise in their field critical control points of the department. We also noted there are no documented procedures of district-level processes to ensure that specific tasks are assigned and completed as required, including a calendar of significant events that need to occur and assignment of responsibility.	Moderate / Low
4. **Inconsistent ESE File Documentation -** During our on-site testing at 4 schools, we noted the following exceptions of the 32 ESE student files: • In 2 files, one or more of the following meeting attendees did not sign off to evidence their attendance at the most recent IEP meeting, although their name was pre-printed on the Meeting Attendees form: student, general education teacher, and special education teacher. • In 4 files, there was no indication that any of the attendees acted as the Evaluation Interpreter for the most recent IEP meeting. None of the attendees signed off in this role.	Low

Background

Background

What is IDEA?

Program Overview
The Individuals with Disabilities Education Act (IDEA) is a law ensuring services to children with disabilities throughout the nation. IDEA governs how states and public agencies provide early intervention, special education and related services to more than 6 million eligible infants, toddlers, children and youth with disabilities. Children and youth (ages 3-21) receive special education and related services under IDEA Part B. IDEA funding is provided by the Federal government to assist and absorb the 'excess costs' that State and Local Education Agencies incur in providing special education and related services to children with disabilities who are between the ages of 3 and 21. This includes children with disabilities who have been suspended or expelled from school.

History
IDEA has undergone several changes since it began as the Education for All Handicapped Children Act (EHA), or Public Law 94-142, in 1975. This law originated as a way to ensure that students with disabilities receive an appropriate public education.

The most recent update to IDEA was the 2004 reauthorization, which aligned IDEA with the requirements of the No Child Left Behind Act of 2001 (NCLB). Prior to that, IDEA was updated about every five years since its beginnings. The reason for the earlier updates was to increase the clarity, efficiency, and efficacy of the law. In 1986, for example, the infant and toddler component was added, and in 1990, transition planning became a requirement.

Several ideas have become part of the special education vocabulary because of this law, including FAPE (free appropriate public education), IEP (individualized education program) and LRE (least restrictive environment). These concepts have been built into the special education system to ensure equal access to education for all students.

In 2006, another change was made when final regulations were released for IDEA 2004. For years, schools were required to wait until a child fell considerably behind grade level before being eligible for special education services. Today, with the release of the final regulations of IDEA 2004, school districts are no longer required to follow this 'discrepancy model,' but are allowed to find other ways to determine when a child needs extra help.

Purpose
The overall program purpose is to:
- Ensure that all children with disabilities have available to them a free appropriate public education that emphasizes special education and related services designed to meet their unique needs and prepare them for further education, employment and independent living;
- Ensure that the rights of children with disabilities and parents of such children are protected;
- Assist States, localities, educational service agencies, and Federal agencies to provide for the education of all children with disabilities;
- Assist States in the implementation of a statewide, comprehensive, coordinated, multidisciplinary, interagency system of early intervention services for infants and toddlers with disabilities and their families;
- Ensure that educators and parents have the necessary tools to improve educational results for children with disabilities by supporting system improvement activities; coordinated research and personnel preparation; coordinated technical assistance, dissemination, and support; and technology development and media services; and
- Assess and ensure the effectiveness of efforts to educate children with disabilities.

The IDEA legislation was reauthorized in 2004, requiring states to establish goals for the performance of children with disabilities that are aligned with each state's definition of "adequate yearly progress" under the NCLB. Together, NCLB and IDEA hold schools accountable for making sure students with disabilities achieve high standards.

Background - continued

What is IDEA? - continued
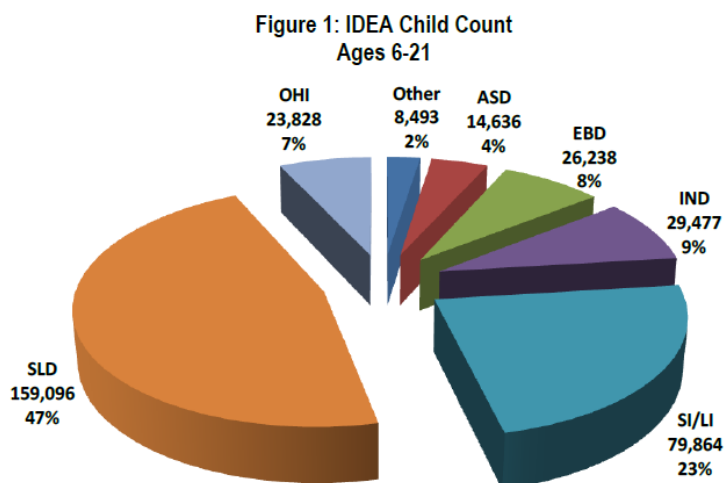
Determination of Funding
The funding is provided from the Federal government and 'flows through' the State government. Program funds are allocated based on what is known as the "December count". The DOE pulls specific exceptional student education ("ESE") information from the districts in Florida databases and allocates the funds based on that data.

In general, funds to states are distributed based on the amount of historical funding each state has received and the relative numbers of children age 3 through 21 in their general populations and living in poverty, who are also within the age range for which each of these entities mandates services to children with disabilities. The formula contains numerous provisions for situations in which the appropriation for the program remains constant, increases or decreases, and for several maximum and minimum funding limitations. Funds not reserved for state-level activities must be distributed to local education agencies (LEAs). Funds under this program are combined with state and local funds to provide a free appropriate public education to children with disabilities. Permitted expenditures include the salaries of special education teachers and costs associated with related services personnel, such as speech therapists and psychologists.

State of Florida Enrollment Data

2009-10 Enrollment

- In October 2009, there were 341,632 students ages 6-21 served under IDEA, Part B representing approximately 14% of the total public school membership.
- Figure 1 displays the number of students with disabilities reported by Florida in the 2009-10 school year. Forty-seven percent of the students with disabilities were identified as specific learning disabled (SLD), 23% were identified as speech or language impaired (SI/LI), 9% were identified as intellectually disabled (IND), 8% were identified as emotional/behavioral disabled (EBD), 7% were identified as other health impaired (OHI), and 4% were identified with autism spectrum disorders and 2% were in other categories.
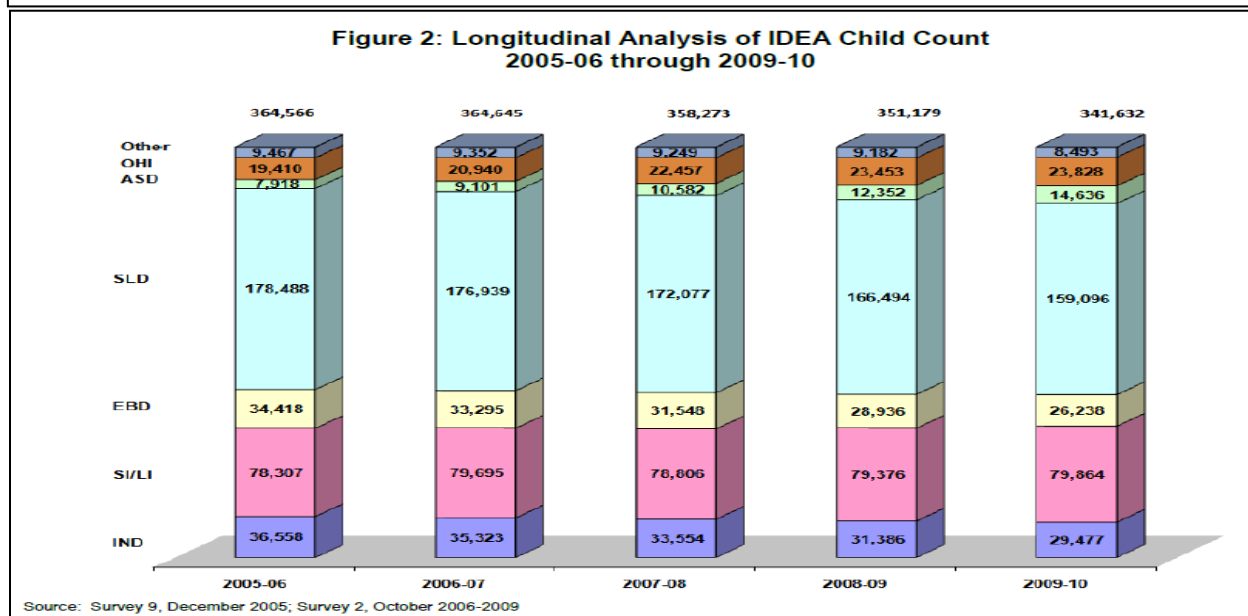

Figure 1: IDEA Child Count Ages 6-21

OHI 23,828 7%
Other 8,493 2%
ASD 14,636 4%
EBD 26,238 8%
IND 29,477 9%
SI/LI 79,864 23%
SLD 159,096 47%

Source: Survey 2, October 2009

Background - continued

What is IDEA? – continued

Longitudinal Trends

- Figure 2 displays child count data reported over the last five years. Students identified as SLD have consistently represented the largest portion of the disabled population, followed by students identified as speech or language impaired.
- Over the five-year period, there has been a decline in the number of students identified as SLD, EBD, and IND and an increase in the number of students identified as ASD and OHI. The number of students identified as SI/LI, which has been growing, declined in the 2007-08 school year followed by an increase in 2008-09 and 2009-10. The total disabled population has been in decline since 2006-07.

Figure 2: Longitudinal Analysis of IDEA Child Count 2005-06 through 2009-10

	2005-06	2006-07	2007-08	2008-09	2009-10
Total	364,566	364,645	358,273	351,179	341,632
Other	9,467	9,352	9,249	9,182	8,493
OHI	19,410	20,940	22,457	23,453	23,828
ASD	7,918	9,101	10,582	12,352	14,636
SLD	178,488	176,939	172,077	166,494	159,096
EBD	34,418	33,295	31,548	28,936	26,238
SI/LI	78,307	79,695	78,806	79,376	79,864
IND	36,558	35,323	33,554	31,386	29,477

Source: Survey 9, December 2005; Survey 2, October 2006-2009

St. Johns Enrollment and Peer Group Statistics

	PK-12 Total Population	Percentage Disabled
State of Florida	2,667,830	13%
St. Johns	**31,585**	**14%**
Alachua	27,433	15%
Bay	26,345	16%
Clay	35,659	18%
Indian River	17,962	13%
Seminole	64,335	12%

Source: Florida Department of Education, SEA and LEA Profiles for 2012

District IDEA Funding
The District received approximately $7.6 million in IDEA funding for FY 2012. They are projecting to receive $7.1 million of IDEA funding in FY 2013.

Time and Effort Reporting
Time and effort reporting is completed by employees who are funded by the IDEA program, either in full or partially, to ensure that their time and level of effort spent on IDEA allowable activities matches the budget allocation of federal funding. This requirement applies to all federal funding, not just IDEA. The requirements for allowable activities under federal grant programs are extensive, and the hierarchy of guidance is shown below. The School Board of St. Johns County uses an approved substitute system as described below, and follows OMB Circular A-87 and monitors Multiple Cost Objective employee activity on a monthly basis.

Background - continued

Time and Effort Reporting - continued

Currently, time and effort reporting for employees who work on more than one Federal programs (split-funded), submit time and effort logs directly to the Director of Accounting and Payroll on a monthly basis. These time and effort reports summarize the number of hours spent on each program or cost objective for the previous month. The Director of Accounting and Payroll is currently tasked with ensuring that the appropriate time and effort logs have been received and are mathematically correct. All split-funded employees are required to maintain supporting documentation (personnel activity reports) that supports the time and effort logs submitted to the District.

Hierarchy of Compliance Requirements
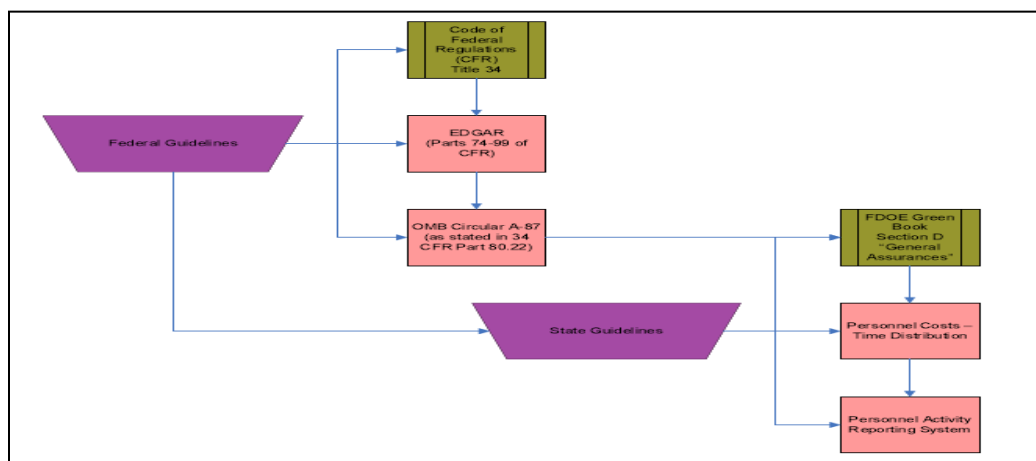
EDGAR

The Code of Federal Regulations (CFR) is a codification of the general and permanent rules published in the Federal Register by the executive departments and agencies of the Federal government. The code is divided into 50 titles that represent broad areas subject to federal regulation. Title 34 of the CFR pertains to the U.S. Department of Education and related Federal entities. Parts 74-99 of that title are collectively known as the Education Department General Administrative Regulations (EDGAR). These parts contain regulations for administering discretionary and formula grants awarded by the Department. 34 CFR Part 80 – Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments – contains provisions applicable to Local Education Agencies (LEA) for grant reporting. § 80.22(b) states, "For each kind of organization, there is a set of Federal principles for determining allowable costs. For the costs of a State, local or Indian tribal government, the Secretary (of Education) applies the cost principles in OMB Circular A-87, as amended."

OMB Circular A-87 (Relocated to 2 CFR Part 225)

Effective as of August 31, 2005, OMB Circular A-87 – Cost Principles for State, Local and Indian Tribal Governments – establishes principles and standards for determining costs for Federal awards using a uniform approach and to promote effective program delivery and efficiency. Included in the general principles for determining allowable costs, the guidance states that typical direct costs chargeable to Federal awards include "compensation of employees for the time devoted and identified specifically to the performance of those awards." (Attachment A, Section E.2a). Further, the requirements say that compensation is allowable to the extent that the "total compensation for individual employees...is determined and supported as provided" herein (Attachment B, Section 8.a (3)). More specifically, Section 8.h of Attachment B – Selected Items of Cost – is detailed below:

h. Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.
(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

Background - continued

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee. **[Note: This is the "Single Cost Objective" rule.]**

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection 8.h.(5) of this appendix unless a statistical sampling system or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,

(b) A Federal award and a non-Federal award,

(c) An indirect cost activity and a direct cost activity,

(d) Two or more indirect activities which are allocated using different allocation bases, or

(e) An unallowable activity and a direct or indirect cost activity.

[Note: This is the "Multiple Cost Objective" rule.]

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,

(b) They must account for the total activity, for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

[Note: See Green Book "General Assurances" below, noting that Florida has been approved for a Substitute system as defined.]

Green Book

This publication describes the project application and amendment procedures for state and federal projects administered by the Florida Department of Education. Section D refers to General Assurances, Terms and Conditions for Participation in Federal and State Programs and includes a "General Assurances" document that must be signed by all agencies that receive federal or state funds, as required by EDGAR, state laws and regulations, and other applicable regulations.

Background - continued

Green Book – *continued*
Included in these "General Assurances", there is a section on Personnel Costs – Time Distribution, stating the following:

"The U.S. Department of Education has approved for use in Florida a substitute system for allocating salaries to federal projects. This substitute system, the Personnel Activity Reporting System (PARS), may be implemented by school districts so long as it is implemented as described in the June, 1996, *Implementation Memorandum and the Personnel Activity Reporting Handbook*. This document is available upon request from the Comptroller's Office. When school districts choose to use the substitute system (PARS), no variations are allowable without specific authorization from the Florida Department of Education. *School districts choosing not to use the approved substitute system must implement a system that meets all of the OMB Circular A-87 standards.* School districts choosing to use the DOE substitute system must inform the DOE Florida Comptroller's Office and specify the reporting months."

Personnel Activity Reporting System (PARS)
1. *Applicability* – As of July 1, 1996, the Florida Department of Education (FDOE) implemented PARS to ensure that an employee's actual time and effort spent on various grant objectives reflects the breakdown of time and effort used to support that employee's salary. PARS allows the FDOE to determine, in a uniform and documented manner, the cost of staff effort put forth on the many programs administered. It also provides a reliable method of oversight. PARS does not apply to employees expected to work solely on a single federal award or cost objective. **[Note: Refer to "Single Cost Objective" rule above in OMB Circular A-87.]**
2. *Reporting* – PARS will apply to employees who work on two or more cost objectives where at least one is a Federal award. **[NOTE: Refer to "Multiple Cost Objective" rule above under OMB Circular A-87]** The PARS "Managerial Instructions" (as revised January, 2001) explain the policies and procedures to ensure the system is implemented in accordance with federal guidelines. The instructions identify the designated reporting months of January and May for recording actual distribution of time and effort. If there is a difference of 10% or more between the estimated (budgeted) time and effort and the actual, an additional reporting period would be needed in September. Additionally, the employee's efforts should be redirected to match the anticipated effort or the funding source of the employee's salary should be adjusted.
3. *Documentation and Support* – PARS should be supported by payroll records, as well as a position description of the employee's responsibilities. The position description should specify the relevant cost objective(s), but should not break out individual activities within each cost objective.   Annual employee evaluations should be performed to ensure the responsibilities described are carried out in an effective manner. Additionally, PARS forms should be signed by a supervisor.
4. *PARS Monitoring and Reconciliation* – At the end of the designated reporting month, the actual effort should be compared to the anticipated effort (that is, budgeted effort based on the % allocation of the employee's salary) and deviations will need to be resolved. Reconciliation between the completed personnel activity reports and the actual personnel costs should occur via an "after-the-fact" analysis of the fund source for each employee position salary and related costs. The analysis should show the precise dollar amounts paid to each employee as salary and benefits and indicate where the funding was generated (cost objective). This analysis should be completed following each designated reporting period/month.
5. *Adjustments* – If there is a difference of 10% or more between the anticipated (budgeted) time spent on a particular cost objective and the actual time spent, the employee's efforts should be redirected to match the anticipated effort or the funding source of the employee's salary should be adjusted. Adjustments can be made in the aggregate basis for each cost objective, but any reporting should be done on an individual employee basis. On an annual basis, if it determined that the level of effort reported for any cost objective is not sufficient to support the level of funding received, accounting adjustments must be made.
6. *Retention* – PAR forms should be maintained in accordance with statutory retention requirements. [Note: PAR forms are not submitted to the FDOE on a regular basis. The forms are to be collected and made available to the FDOE and others upon request, such as the auditor performing OMB Circular A-133 audit of applicable programs.

Objectives and Approach

Objectives and Approach

Objectives and Scope

Objectives of the internal audit of the grant management process related to the IDEA program include the following:

- Determine that controls are in place to ensure compliance with grant agreements, applicable Florida Statutes and the applicable School Board of St. Johns County policies and procedures.
- Determine that the records and documentation maintained by management are sufficient to establish an audit trail for transactions of the IDEA program.
- Determine that the expenditures of the program are compliant with grant agreements and Florida statutes, and are properly authorized.
- Determine that there are adequate procedures in place for the administration of grant program requirements.

We specifically excluded monitoring and testing of the individual student count process related to students with disabilities, as that count is conducted in conjunction with the Full-Time Equivalent (FTE) counts performed by the District. The most recent FTE report prepared for the District was issued December 2009 and all follow-up items have been closed. We also excluded specific testing of individual employee time and effort logs for split-funded employees, as this area was covered by the Auditor General's most recent Financial, Operational, and Federal Single Audit report, dated March 2012, which noted no exceptions.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

In order to obtain an understanding of the processes and identify critical controls related to the different phases of the IDEA process, we conducted several interviews, inquired of department personnel and obtained detailed documentation of the process. During the first phase of the current audit, we held an entrance conference with the Chief Financial Officer, the Executive Director for Accountability and Intervention Services, the Director for Exceptional Student Education, and the Director of Accounting and Payroll, to document the overall grant application and management process on process maps.

Detailed Testing

The purpose of this phase was to perform testing of procedures based on our understanding of IDEA program operations, applicable Federal and State statutes, as well as School Board policy. Our procedures included observation and inquiry, walk through and testing of individual transactions. The time period covered by testing was July 1, 2011 through April 24, 2012. We utilized sampling and other auditing techniques as follows to meet our audit objectives outlined above and performed the following:

- Review of department compliance with grant policies, procedures and statutes.
- Review of school-based compliance with grant policies, procedures and statutes.
- Some specific areas of testing included the following:
  - Application process, budgeting and authorization
  - Personnel certifications and qualifications of Highly Qualified Teachers
  - Monitoring District compliance with IEP requirements
  - Non-personnel related purchases with IDEA funds, including determination of allowable cost
  - Time certification reports for employees who are fully funded by program dollars
  - Review of personnel job descriptions in support of IDEA program allowable effort
  - Monitoring of program budget and spending
  - Communication between ESE, Accounting, Budget, and the School Board

Reporting

At the conclusion of our audit, we summarized our observations related to the IDEA program and conducted an exit conference with the Chief Financial Officer, the Executive Director for Accountability and Intervention Services, the Director for Exceptional Student Education, and the Director of Accounting and Payroll. We have incorporated management's responses into our report.

Issues Matrix

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**1.** *Grant Budget-to-Actual Monitoring and Reporting*		
	As reported in the executive summary, the District had undisbursed balances the past 3 years as follows: • FY 2011 – $ 2,103,518 • FY 2010 – $ 1,288,033 • FY 2009 – $ 342,858 Currently, the Budget Supervisor compiles the budget, actual, encumbered and balance amounts of each grant and submits to the appropriate persons at the District to assist in monitoring the grant. Per inquiry and review the Executive Director for Accountability and Intervention Services and the Director for Exceptional Student Education monitor budget to actual on a real-time basis. However, we noted that there was no formal, clear documentation of the IDEA philosophy for planned spending, the methodology for determining which schools would receive direct funding, why an alternative allocation wasn't selected, and periodic updates as to changes during the year, including the use of set-asides and the reserves. In addition, we noted no end of year analysis of original budget to actual program costs, including specific details of variances.	Because the planning process is fluid and based on critical assumptions and estimates, we recommend the District develop and implement a brief, but detailed executive summary of the methodology and decision-making process for the planned uses and budget of the IDEA program. In addition, we recommend periodic update (at least quarterly) of the summary for significant changes, budget transfers, and release of set-asides for other uses. These items should be provided or presented to senior leadership as well as the Board. Some suggested items for the initial annual budget summary include: • An explanation of the current roll-forward, including how it was derived (set asides, specific encumbrances, planned reserves, etc.) • An explanation of the set-asides and the planned uses of those funds in order to minimize future carry-forward. • The number of personnel FTE units funded by the program, including the number of vacant positions, and a comparison to the prior year and an explanation of significant variances. Some suggested items for the periodic updates include: • Confirmation of roll-forward from previous year, including any restrictions on the amount (i.e. set-asides). • Results of the student FTE counts and FRPL enrollment as compared to initial projections. • An update on the number of vacant personnel positions, and a determination of whether some of those funds could be redirected. • Significant changes in funding or planned uses. • Final year-end program analysis.	• A brief but detailed executive summary of the methodology and decision-making process for the planned uses of IDEA funding will be prepared and added to the proposed grant that is submitted to the board for approval each June. The detailed budget will continue to be part of the proposed grant. • A quarterly update will be prepared to summarize expenditures, budget transfers and recommended amendments if needed. This update will be presented to the Chief Financial Officer. **ECD:** • Initial executive summary: To CFO by 8/1/12 • Annual executive summaries: submitted with IDEA grant at each June board meeting. • Quarterly updates: Submitted to the CFO immediately following each grading period with the final update being the annual executive summary discussed in the previous bullet. **Responsible Parties:** Lisa Bell, ESE Director and designees

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate	**2. *Review and Reconciliation of Time and Effort Reporting***		
	Time and effort reporting is completed by employees who are funded by the IDEA program, either in full or partially, to ensure that their time and level of effort spent on IDEA allowable activities matches the budget allocation of federal funding. This requirement applies to all federal funding, not just IDEA. As more fully described in the Background section of this report, the State of Florida has been approved for use of a substitute system of time and effort allocation reporting. Each district in the state has the option of choosing to follow OMB Circular A-87 or this substitute system, PARS. PARS allows for pre-defined semi-annual reporting, while OMB Circular A-87 requires monthly reporting. Per the Florida Department of Education's *Green Book*, school districts choosing not to use PARS must implement a system that meets all of the OMB Circular A-87 standards. OMB Circular A-87 (Attachment B, Section 8.h - Support of Salaries and Wages) states the following related to personnel activity reports: "(a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They *must be prepared at least monthly and must coincide with one or more pay periods*, and (d) They must be signed by the employee."	The monthly reporting provides a higher degree of transparency and accountability of the use of funds. It also serves as audit support for the proper use of the funding during external and regulatory audits. Reconciliation between actual and anticipated/ budgeted time and effort should occur to ensure that: • Employees in all federally funded positions, including those that are fully and partially funded by IDEA dollars, have completed requisite time and effort activity reports and provided appropriate support where applicable. • Adequate segregation of duties related to initiation, authorization, reconciliation and reporting is in place. We recommend the following: • The monthly employee time and effort reporting should be submitted to the teams/departments with grant oversight and monitoring responsibilities; • The grant teams/departments should then review the time and effort reporting for accuracy and reasonableness, prepare a summary of the grant's related time and effort reporting by employee and submit the summary to the Director of Accounting and Payroll by the 20th of following month to allow time for questions. The summary can be easily prepared in an excel file which is maintained by month. • A requirement of an individual's PAR documentation should include a reconciliation section to facilitate monitoring of actual versus budgeted time and any required adjustments. If variances between budget and actual allocations exist, there should be appropriate resolution documented on the form.	The ESE Director or designees will review the online time and effort reporting system monthly to ensure that each employee partially funded by IDEA has completed their documentation accurately. Variances between budget and reported time will be discussed with the employee. Errors in reporting will be corrected in the online system and resubmitted. Variances in budget and actual allocations will be reported to the Director of Accounting and Payroll in an email sent monthly after all logs are complete. Monitoring of supporting documentation will occur on a random basis with each employee monitored at least once annually. A spreadsheet will be prepared to document this monitoring and any discrepancies noted. The spreadsheet will be attached to the monthly email sent to the Director of Accounting and Payroll. The ESE Director or designees will request hard copies of time and effort logs for each employee funded 100% by IDEA on a semi-annual basis. An email will be sent to the Director of Accounting and Payroll after all logs are completed for each reporting period.

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
<mark>Moderate</mark>	**2. *Review and Reconciliation of Time and Effort Reporting - continued***		

	Currently, time and effort reporting for employees who work on more than one Federal program submit time and effort logs directly to the Director of Accounting and Payroll on a monthly basis. These time and effort reports summarize the number of hours spent on each program or cost objective for the previous month. The Director of Accounting and Payroll is currently tasked with ensuring that the appropriate time and effort logs have been received and are mathematically correct. All split-funded employees are required to maintain supporting documentation (personnel activity reports) that supports the time and effort logs submitted to the District. The Director of Accounting and Payroll is not the appropriate individual to be the initial and only reviewer of time and effort reporting, as they are not involved with grant employee assignment and monitoring and oversight responsibilities of the District's federal grants.
	
	We also noted that PAR documentation maintained by the employee is not reviewed for existence and reasonableness, nor is a reconciliation of actual and budgeted time and effort performed. The above could result in reporting errors that are not detected in a reasonable time period or at all.
		• On a periodic basis, routine spot check/audit of records to substantiate PAR forms should be performed by the team/department with monitoring and oversight responsibilities. This would include ensuring the following:
		   o PARs are accurate and reasonable based on the grant team/department's understanding of the employee's activities and overall program knowledge.
		   o Federally funded employees have appropriate job descriptions that identify their respective cost objective(s) and responsibilities are "allowable" under federal guidelines,
		   o Performance evaluations are performed and are based upon the responsibilities noted in their respective job descriptions,
		   o Payroll records/timesheets or other appropriate support reflect the appropriate time and effort as reported on the PAR,
		• This above should be document within the grant policies and procedures (see issue #3).
		
		All of these actions will assist in ensuring compliance with the rules of OMB Circular A-87.
			ECD:
			• Spreadsheet to document monitoring developed: 8/1/12
			• Email submitted to Director of Accounting and Payroll beginning 9/20/12 and continuing monthly thereafter.
			
			Responsible Parties: Lisa Bell, ESE Director and designees

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate / Low	**3. *Succession Planning and Documented IDEA Procedures***		
	We noted during our interviews with ESE personnel that there is no formal succession plan for the department. The Director for Exceptional Student Education and the Executive Director for Accountability and Intervention Services have been with the District for a significant amount of time, rendering their personal knowledge of the programs and expertise in their field critical control points of the department. Without a formalized succession plan and transition period, there is an increased risk of non-performance of key controls in the process and potential non-compliance with program requirements. Additionally, we noted there are no documented procedures of district-level processes to ensure that specific tasks are assigned and completed as required, including a calendar of significant events that need to occur and assignment of responsibility. We did note that a handbook containing Exceptional Student Education Policies and Procedures is available for the schools. Lack of documented procedures increase the risk of non-compliance, especially in a decentralized environment.	The IDEA grant is highly regulated and serves a unique subset of the general student population and therefore is high risk, and its administration requires minimal business interruption. The District should evaluate the current ESE department organizational structure, including positions and responsibilities within the function and determine an appropriate succession plan and transition period for ensuring minimal day-to-day interruption. In addition, we recommend that the department develop written procedures to ensure guidance is available in the event of turnover or prolonged absence, as well as to facilitate cross training or transition during succession planning. We have documented our understanding of the IDEA grant process in the process map included with this report, which can be used as a starting point for developing procedures as well as a training tool.	Written procedures will be developed to include a calendar of significant events, details regarding these events/tasks, and assignment of responsibility. **ECD:** 7/1/2013 **Responsible Parties:** Lisa Bell, ESE Director and designees

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Low	**4.** *Inconsistent ESE File Documentation*		
	During our on-site testing at 4 schools, we noted the following exceptions of the 32 ESE student files: • In 2 files, one or more of the following meeting attendees did not sign off to evidence their attendance at the most recent IEP meeting, although their name was pre-printed on the Meeting Attendees form: student, general education teacher, and special education teacher. • In 4 files, there was no indication that any of the attendees acted as the Evaluation Interpreter for the most recent IEP meeting. None of the attendees signed off in this role.	We recommend that all required persons be in attendance at the IEP meeting and sign off on the forms as required. If a person was not physically in attendance, the form of participation utilized (e.g., phone call, video conferencing, etc.) should be indicated on the signature line of those individuals not physically present at the meeting in order to provide more specific information regarding meeting attendance.	Procedures are already in place to document attendance of required persons at the IEP meeting. These will be reviewed at the annual LEA trainings and at the first ESE Virtual meeting of the year for all ESE teachers. **ECD:** • LEA trainings: 7/9/12, 7/10/12, 8/6/12 • ESE Virtual meeting: 9/5/12 **Responsible Parties:** Lisa Bell, ESE Director and designees

Process Maps

Process Maps

St. Johns County School District – IDEA – Application Process (Page 1 of 2)

Federal / State Government

- IDEA funding based on December count, determine District Funding

School Board

- Discuss and approve application and document minutes

Superintendent

- Review analysis
- Changes/ questions → No → Approve application and submit to School Board for approval
- Yes

ESE

- IDEA application received in May
- Perform analysis and projections based on need (December count), spreadsheet used for allocations to sites
- Preliminary IDEA application submitted to the state for informal feedback
- Prepare and submit application to Superintendent for approval with sign off evidence
- Provide any changes or responses to Superintendent
- Retain copy of Board approved application
- Page 2

Budget Office

- Review application for accuracy of calculations

Legend:			
Process Step	Automated Control	Manual Control	Gap

Process Maps

St. Johns County School District – IDEA – Application Process (Page 2 of 2)

Department of Education (DOE)

Submit approved application to State

ESE

Page 1

Receive award letter from DOE

Provide copy of detailed grant to Budget Office

Validate the accuracy of budget allocations

Perform periodic budget to actual review*

End

Budget Office

Enter allocations by school and grant details

Generate budget reports

On a ongoing basis, compile budget to actual expenditures*

Prepare periodic budget to actual reports

* Both ESE and the Budget Supervisor monitor the budget-to-actual expenditures at least monthly, but the review is not documented and does not occur on a regular basis.

Legend:			
Process Step	Automated Control	Manual Control	Gap

Process Maps

St. Johns County School District - IDEA – Grant Compliance - Program Management / District Level (Page 1 of 2)

| ESE | On a weekly basis receive report of expired IEPs and overdue re-eval's by school (system generated from SIS*) | → | Review report and determine appropriate level of follow up | Follow up on unusual trends and provide additional support to schools as needed | Identify personnel requiring time and effort logs and certifications | Accumulate and review time and effort logs for accuracy and reasonableness, verify against payroll records, and summarize and submit to Accounting | Perform sample audits to verify accuracy of time and effort logs based on supporting documentation | Page 2 |

ESE School Resources

- Review report and determine action steps to correct deficiency
- Complete outstanding IEPs and re-evals and/or update information in SIS*
- ESE resources certify ESE time, complete time and effort logs and submit to Accounting and maintain PARs

LEA (Assistant Principal)

- Coordinate investigation and resolution of identified deficiencies

Accounting

- Make journal entries to adjust expenditures based on time reported
- Page 2

* Student Information System

Legend:			
Process Step	Automated Control	Manual Control	Gap

Process Maps

St. Johns County School District - IDEA – Grant Compliance - Program Management / District Level (Page 2 of 2)

Accounting

Page 1 → Request cash advances from FLDOE using the online system → Record revenue received in Sungard → Prepare expenditure reports using the FLDOE system by the 20th of the month → Complete annual FLDOE form 399 for final expenditures by date required in award letter** → End

Request cash advances from FLDOE using the online system → Bank Rec process out of scope

Prepare annual rollforward JE for any deferred grant revenue → Prepare Federal Cash Advance reconciliation required by FLDOE → Complete annual FLDOE form 399

ESE

Budget to actual is performed to monitor and report maximization of funds to Board/ Management on at least a quarterly basis

Page 1 → Annual Self-Assessment performed → Remediation occurs for non-compliance issues → Response prepared for FLDOE → Update as needed with new information → Update IDEA Intranet site with forms and new data as needed for information

FLDOE

Formal notification letter to Superintendent

State audit periodically performed by FLDOE → End

**District practice is to submit the FA399 upon completion of the Annual Financial Report (AFR), which is after the August due date.

Legend:			
Process Step	Automated Control	Manual Control	Gap

Process Maps

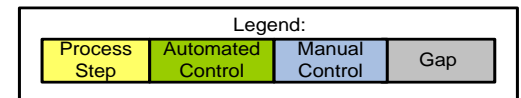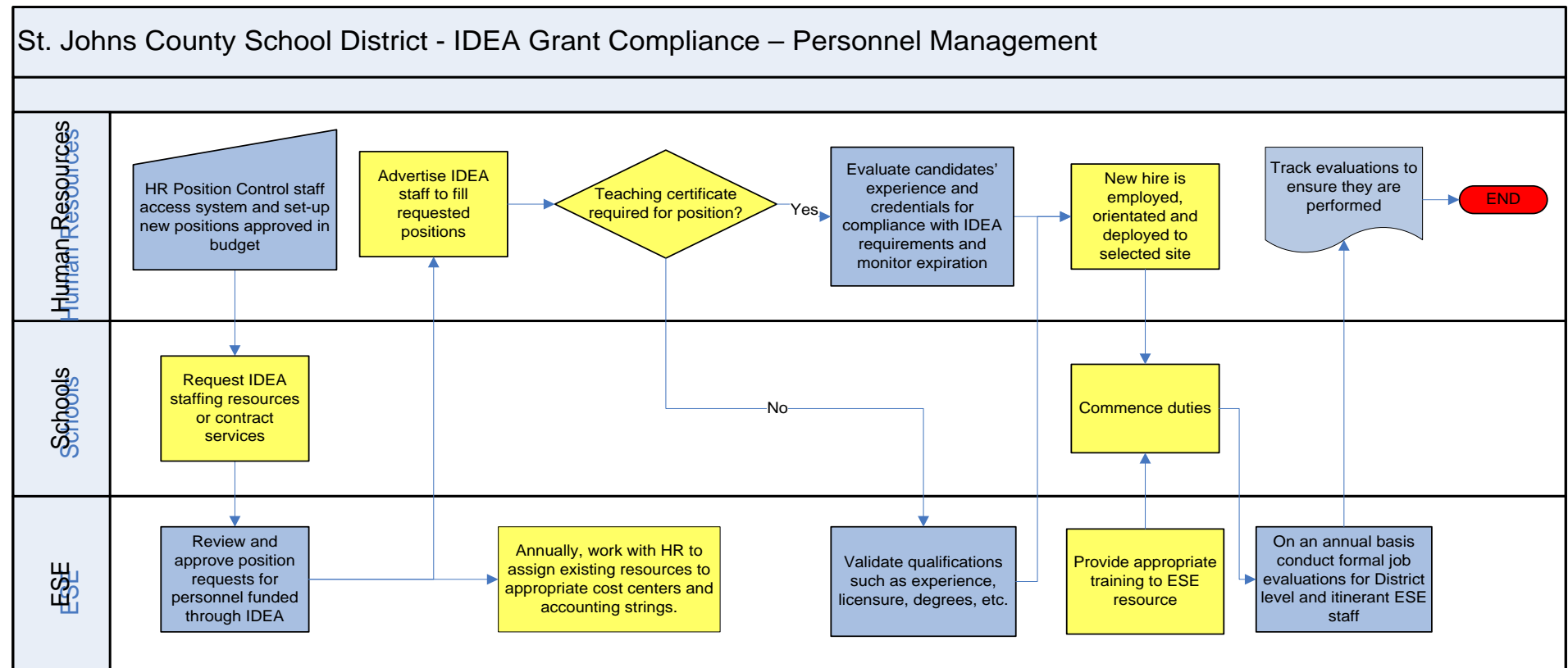### St. Johns County School District - IDEA Grant Compliance – Program Management / School Level

School Site / IEP Team (ESE Resources, Teachers)

- Identify and document needs of students eligible under IDEA on IEP
- Coordinate attendance, involvement, and documentation of IEP
- Set-up and maintain IEP files for each student
- A
- Resolve issues noted during annual self-assessment and determine appropriate level of services
- END
- Participate in ongoing training and education

ESE

- Obtain and review IEP's for covered students
- Provide feedback to school staff and assist with IEP documentation and discussions
- A
- During annual self-assessment: obtain, review and audit student IEP folders
- Verify that SIS data is correct and update as needed
- Concerns regarding level of student services?
- Yes → Refer issues to IEP team for further assessment and discussion
- No → On an ongoing basis, provide training to staff

Legend:

Process Step	Automated Control	Manual Control	Gap

20

Process Maps

St. Johns County School District - IDEA Grant Compliance – Personnel Management

Human Resources

- HR Position Control staff access system and set-up new positions approved in budget
- Advertise IDEA staff to fill requested positions
- Teaching certificate required for position? — Yes
- Evaluate candidates' experience and credentials for compliance with IDEA requirements and monitor expiration
- New hire is employed, orientated and deployed to selected site
- Track evaluations to ensure they are performed
- END

Schools

- Request IDEA staffing resources or contract services
- No
- Commence duties

ESE

- Review and approve position requests for personnel funded through IDEA
- Annually, work with HR to assign existing resources to appropriate cost centers and accounting strings.
- Validate qualifications such as experience, licensure, degrees, etc.
- Provide appropriate training to ESE resource
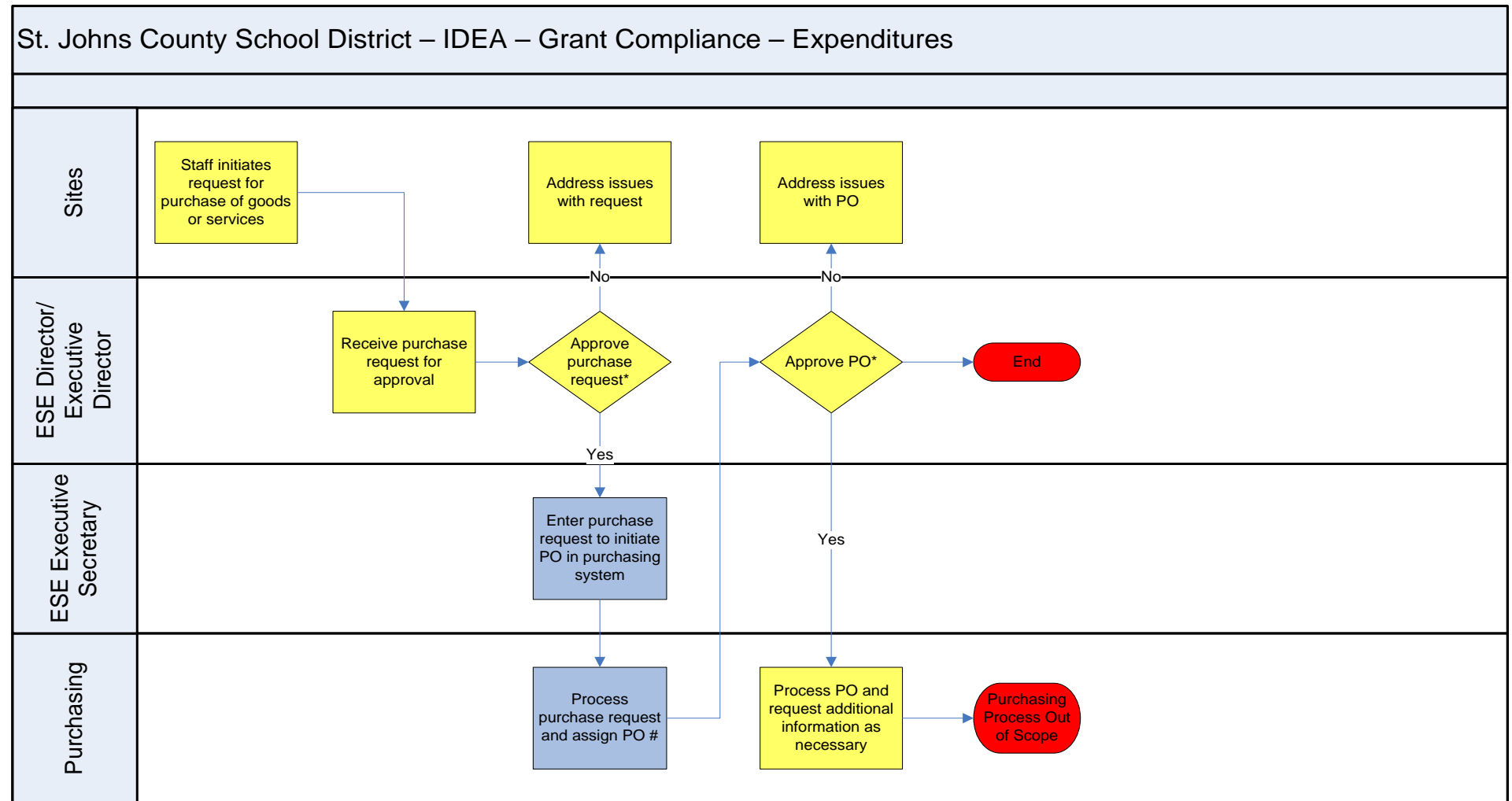- On an annual basis conduct formal job evaluations for District level and itinerant ESE staff

Note: Schools do their own hiring and selections but applications are also screened by Human Resources for proper certification prior to submitting to sites for review.

Legend:

Process Step	Automated Control	Manual Control	Gap

21

Process Maps

St. Johns County School District – IDEA – Grant Compliance – Expenditures

Sites
- Staff initiates request for purchase of goods or services
- Address issues with request
- Address issues with PO

ESE Director/ Executive Director
- Receive purchase request for approval
- Approve purchase request*
- Approve PO*
- End

ESE Executive Secretary
- Enter purchase request to initiate PO in purchasing system

Purchasing
- Process purchase request and assign PO #
- Process PO and request additional information as necessary
- Purchasing Process Out of Scope

* Purchase requests can be approved by either the ESE Director or the Executive Director for Accountability and Intervention Services. Purchase orders are approved by the ESE Director.

Legend:
| Process Step | Automated Control | Manual Control | Gap |

22
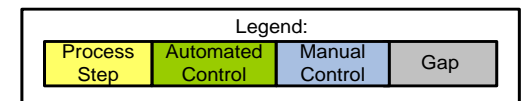
Title I

Executive Summary

The primary purpose of this internal audit was to assess the design adequacy and operating effectiveness of the internal control structure in place over the grants management process, specifically related to the Title I program. Our approach focused on determining whether proper controls exist and whether existing controls are appropriate for mitigating inherent risks.

Due to the amount of funding being provided to the District in the form of Title I grant funding ($2.1 million during FY 2012) we determined, in conjunction with the Audit Committee, that it was the appropriate time to evaluate the controls in place, perform operating effectiveness testing and complete a readiness assessment to ensure the District has the capability of meeting the Title I program's existing and potential reporting and compliance requirements in the wake of the heightened awareness over transparency and accounting in government.

The following table is summary of the District's Title I grant funding for the past 3 years as reported to the Florida Department of Education (FDOE):

FY	Budget	Expended	Balance	Utilization %
2009	$ 2,280,361	$ 2,004,344	$ 276,017	88%
2010	2,409,553	1,999,470	410,083	83%
2011	3,420,005	2,823,647	596,358	83%
Totals	**$ 8,109,919**	**$ 6,827,461**	**$ 1,282,458**	**84%**

During the course of our work, we discussed the control design and operating effectiveness with management. Our observations and recommendations for improving controls and operations are described in detail in the Issues Matrix. Each issue is assigned a relative risk factor. Relative risk is an evaluation of the severity of the concern and the potential impact on operations. Items rated as "High" risk are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as "Moderate" risk may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as "Low" risk could escalate into operational issues, but can be addressed through the normal course of conducting business. The following is a high level summary of the major issues identified during our internal audit of the Title I grant management process:

Title I Issues Summary	Relative Risk
1. **Title I Documentation of Salaries Periodic Certifications Not Completed -** We noted the following during our testing: • Semiannual certifications were not completed for 6 of 20 employees selected for testing, as required by OMB Circular A-87. These 6 exceptions are tutors who worked solely on the Title I program. • The certification form used by all of the Title I program employees does not include the period covered by the certification statement. This situation was an audit finding classified as a significant deficiency in the Auditor General's Financial, Operational, and Federal Single Audit released March 29, 2012. Per review of the 2010-2011 findings by the Auditor General, the District's finding related to not maintaining the required semiannual certifications to support ARRA School Improvement Grants expenditures, per the Federal requirements.	**High**

Title I Issues Summary	Relative Risk
2. **Grant Budget-to-Actual Monitoring and Reporting** - We reviewed the last three years of the Title I program and noted undisbursed balances, as reported on the annual report to the State. We also noted that there was no formal, clear documentation of the Title I philosophy for planned spending, the methodology for determining which schools would receive direct funding, and periodic updates as to changes during the year, including the use of set-asides and the reserves. In addition, we noted no end of year analysis of original budget to actual program costs, including specific details of variances.	**High**
3. **Review and Reconciliation of Time and Effort Reporting** - We noted the employee time and effort reports are directly submitted to the Director of Accounting and Payroll and not reviewed by the grant team/department responsible over grant monitoring and oversight. We also noted that Personnel Activity Report (PAR) documentation maintained by the employees is not reviewed for existence and reasonableness, nor is a reconciliation of actual and budgeted time and effort performed. The above could result in reporting errors that are not detected in a reasonable time period or at all.	**Moderate**
4. **Succession Planning and Documented Title I Procedures** – We noted during our interviews with District personnel that there is no formal succession plan for the department. There has been personnel transition over the years regarding responsibility of Title I monitoring and oversight, rendering department knowledge of the programs and expertise spread throughout the District. We also noted there are no documented procedures of district-level processes to ensure that specific tasks are assigned and completed as required, including a calendar of significant events that need to occur and assignment of responsibility.	**Moderate** **Low**

Background

Background

What is Title I?

Program Overview

Improving Basic Programs Operated by Local Educational Agencies, also known as Title I, Part A is a federally funded program designed to improve achievement at schools with a high percentage of students eligible for free and reduced price lunches. It is the largest federal aid program for elementary and secondary schools. This program provides financial assistance to local educational agencies (LEA) and schools with high numbers or high percentages of low-income children to help ensure that all children meet challenging state academic standards. Federal funds are currently allocated through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state.

More than 60,000 public schools across the country use Title I funds to provide additional academic support and learning opportunities to help low-achieving children master challenging curricula and meet state standards in core academic subjects. For example, funds support extra instruction in reading and mathematics, as well as special preschool, after-school, and summer programs to extend and reinforce the regular school curriculum.

The schools with the highest percentages of children from low-income families are served. Unless a participating school is operating a school-wide program, the school must focus Title I services on children who are failing, or most at risk of failing, to meet State academic standards. Schools enrolling at least 40 percent of students from low-income families are eligible to use Title I funds for school wide programs that serve all children in the school. LEAs may allocate funds to schools as funding permits and all eligible schools may not receive funding. For example, using the 40 percent test, a district may have 60 eligible schools over which to allocate $2 million, or $33,000 a piece. The district can choose to serve only those schools with 65% or more students from low-income families, thereby increasing the allocation per school.

Under Title I, local LEAs are required to provide services for eligible private school students. In particular, section 1120 of Title I, Part A of the Elementary and Secondary Education Act (ESEA), as amended by the No Child Left Behind Act (NCLB), requires a participating LEA to provide eligible children attending private elementary and secondary schools, their teachers, and their families with Title I services or other benefits that are equitable to those provided to eligible public school children, their teachers, and their families. These services must be developed in consultation with officials of the private schools. The Title I services provided by the LEA for private school students are designed to meet their educational needs and supplement the educational services provided by the private school.

The School Board of St. Johns County Title I program operates school wide programs rather than individualized eligibility and served 6 elementary schools, 3 middle schools, 2 alternative schools, and 1 private school in FY2011-2012. In addition to these schools, a secondary school was served in FY2010-2011.

History

Title I of the Elementary and Secondary Act (ESEA) was originally enacted in 1965 as a part of President Johnson's "War on Poverty." In 1981, Congress passed the Education Consolidation and Improvement Act (ECIA) Public Law 97-35. The law renamed the program "Chapter 1". The 1988 Hawkins-Stafford Elementary and Secondary School Improvement Amendments restored some of the parental involvement and administrative rules eliminated by ECIA. This 1988 reauthorization also targeted more funds on the neediest areas; created a separate component of Title I (Even-Start) for preschool students; and added program improvements mandating state intervention in failing programs. The law attempted to link the Chapter I program more closely with the regular school program and encouraged a greater focus on "higher-order" thinking skills, rather than continuing the traditional program focus on basic skill drills.

Background - continued

History - continued
The program was reauthorized in 1994, by the Improving America's Schools Act. In addition to renaming the program "Title I", this new law:

- Established the principle that Title I students will be taught at the same high standards as other children;
- eliminated federal testing requirements and evaluated the performance of Title I schools and students using the same state standards and assessments that apply to other children;
- provided expanded flexibility to local schools in exchange for heightened accountability for results;
- emphasized professional development for educators to help them implement new, research-based techniques for educating children; and
- changed the funding allocation formula and school eligibility standards to focus more funds on the highest-poverty schools.

"The Educational Excellence for All Children Act of 2000" was released by President Clinton and U. S. Secretary of Education Richard Riley, who emphasized that the reauthorization would be focusing on "sustained change" that makes "long-term educational sense." Four principles guided the new reauthorization proposal: (1) high standards in every classroom; (2) improving teacher and principal quality; (3) strengthening accountability; and (4) ensuring that all children can learn in environments that are safe, disciplined and drug-free, and where their parents feel welcome and involved.

President George W. Bush signed the most recent reauthorization package, "No Child Left Behind Act of 2001" (NCLB) on January 8, 2002. This was the most sweeping reform of the ESEA since it was enacted in 1965. It redefines the federal role in K-12 education to helping close the achievement gap between disadvantaged and minority students and their peers. It is based on four basic principles: 1) stronger accountability for results; 2) increased flexibility and local control; 3) expanded options for parents; 4) and an emphasis on teaching methods that have been proven to work (based on scientific research).

Purpose
Title I Part A has one overriding goal: To improve the teaching and learning of children in high-poverty schools to ensure that all children meet challenging state academic standards. To accomplish this goal, Title I Part A supports school districts through funding from the federal government, monitored and distributed by the state. Schools decide for themselves how to spend their program funds, asking for parental and administrative input in the process.

Determination of Funding
The funding is provided from the Federal government and 'flows through' the State government. To qualify for school wide program status, a school must have a free and reduced lunch percentage of 40% or higher. Each participating school has designed its own program, including grade levels and subject areas to be served, instructional models, and staffing plan based upon the unique needs of students at that school. The schools have coordinated their Title I plans with their School Improvement Plans.

District Title I Funding
The District received approximately $2.1 million in Title I funding for FY 2012.   They are projecting to receive $3.7 million of Title I funding in FY 2013.

See IDEA Background section for Time and Effort Reporting.

Objectives and Approach

Objectives and Approach

Objectives and Scope

Objectives of the internal audit of the grant management process related to the Title I program include the following:

- Determine that controls are in place to ensure compliance with grant agreements, applicable Florida Statutes and the applicable School Board of St. Johns County policies and procedures.
- Determine that the records and documentation maintained by management are sufficient to establish an audit trail for transactions of the Title I program.
- Determine that the expenditures of the program are compliant with grant agreements and Florida statutes, and are properly authorized.
- Determine that there are adequate procedures in place for the administration of grant program requirements.

We excluded specific testing of individual employee time and effort logs for split-funded employees, as this area was covered by the Auditor General's most recent Financial, Operational, and Federal Single Audit report, dated March 2012, which noted no exceptions.

Approach

Our audit approach consisted of three phases:

Understanding and Documentation of the Process

In order to obtain an understanding of the processes and identify critical controls related to the different phases of the Title I process, we conducted several interviews, inquired of department personnel and obtained detailed documentation of the process. During the first phase of the current audit, we held an entrance conference with the Chief Financial Officer, the Coordinator of Federal Programs, the Title I Secretary, and the Director of Accounting and Payroll, to document the overall grant application and management process on process maps.

Detailed Testing

The purpose of this phase was to perform testing of procedures based on our understanding of Title I program operations, applicable Federal and State statutes, as well as School Board policy. Our procedures included observation and inquiry, walk through and testing of individual transactions. The time period covered by testing was July 1, 2011 through April 24, 2012. We utilized sampling and other auditing techniques as follows to meet our audit objectives outlined above and performed the following:

- ❑ Review of department compliance with grant policies, procedures and statutes.
- ❑ Review of school-based compliance with grant policies, procedures and statutes.
- ❑ Benchmarking of time and effort logs against other districts.
- ❑ Some specific areas of testing included the following:
  - Application process, budgeting and authorization
  - Monitoring District compliance with program requirements
  - Non-personnel related purchases with Title I funds, including determination of allowable cost
  - Time distribution reporting and support for employees who are fully funded by program dollars
  - Review of personnel job descriptions in support of Title I program allowable effort
  - Monitoring of program budget and spending

Reporting

At the conclusion of our audit, we summarized our observations related to the Title I program and conducted an exit conference with the Chief Financial Officer, the Coordinator of Federal Programs, the Title I Secretary, and the Director of Accounting and Payroll.

Issues Matrix

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**1. *Title I Documentation of Salaries Periodic Certifications Not Completed***		
	Per the guidance in OMB Circular A-87, Attachment B, 8.h(3), all employees who work solely on one Federal program must prepare a certification that: - Is prepared and signed (after-the-fact) at least semi-annually - Is prepared and signed by the employee or supervisor having knowledge of the work performed by the employee, and - Acknowledges that the employee worked solely on the Federal program for the period covered by the certification. We noted the following during our testing: - Semiannual certifications were not completed for 6 of 20 employees selected for testing, as required by OMB Circular A-87. These 6 exceptions are tutors who worked solely on the Title I program. - The certification form used by all of the Title I program employees does not include the period covered by the certification statement. This situation was an audit finding classified as a significant deficiency in the Auditor General's Financial, Operational, and Federal Single Audit released March 29, 2012. Per review of the 2010-2011 findings by the Auditor General, the District's finding related to not maintaining the required semiannual certifications to support ARRA School Improvement Grants expenditures, per the Federal requirements.	We recommend that the District perform the following: - Further enhance their procedures in obtaining signed semi-annual certifications from all employees who work solely on the Title I program. - Update the certification form template to include the specific period covered by the certification (begin date to end date). - Include the semiannual certification process in annual trainings provided to Title I schools, as a continual refresher. The above will assist the District in staying in compliance with OMB Circular A-87 regarding semi-annual reporting for fully funded employees.	A new Semi-annual Certification form has been developed to include the period covered by certification. The new form for the 2012-2013 school year will be completed in January and then again in May of 2013. The process will also address with the school supervisors to begin a process that has them directly certify the work that the employees do with a printout provided to them in conjunction with the District Title I department. This will provide more accuracy for part time employees who are included in the grant. (September, 2012 start date) The Title I Department will coordinate with school principals and use the SunGard system to capture new employees paid by Title I funds. This process will occur monthly starting in August of 2012 and ending in June 2013. The Title I Department will meet with all Title I principals in early August or September of each school year to discuss why and how semiannual certifications are completed. Following the meeting all principals will be emailed an electronic copy of the form with directions on how to complete. Principals will then certify accuracy of the information regarding their Title I staff and return a signed form upon completion. All processes regarding semiannual certification will begin in August/September 2012 and will be completed by June of 2013, and will be continued for every school year thereafter. **ECD:** December 2012 and June 2013 (Year-End) **Responsible Parties:** Title I Department: George Leidigh, Title I Director and Sarah Ray, Title I Secretary

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	**2.** *Federal Grant Budget-to-Actual Monitoring and Reporting*		
	As reported in the executive summary, the District had undisbursed balances the past 3 years as follows: • FY 2011 – $ 596,358 • FY 2010 – $ 410,083 • FY 2009 – $ 296,017 Currently, the Budget Supervisor compiles the budget, actual, encumbered and balance amounts of each grant and submits to the appropriate persons at the District to assist in monitoring the grant. We understand from interviews and review of documents that the department goes through in depth budgeting process at the beginning of each year, then come April/May balances are monitored and the District submits notifications to the schools to maximize balances prior to year end. However, we noted that there was no formal, clear documentation of the Title I philosophy for planned spending, the methodology for determining which schools would receive direct funding, why an alternative allocation wasn't selected, and periodic updates as to changes during the year, including the use of set-asides and the reserves. In addition, we noted no end of year analysis of original budget to actual program costs, including specific details of variances.	Because the planning process is fluid and based on critical assumptions and estimates, we recommend the District develop and implement a brief, but detailed executive summary of the methodology and decision-making process for the planned uses and budget of the IDEA program. In addition, we recommend periodic update (at least quarterly) of the summary for significant changes, budget transfers, and release of set-asides for other uses. These items should be provided or presented to senior leadership as well as the Board. Some suggested items for the initial annual budget summary include: • The District's overall philosophy and methodology for designating Title I schools. • An explanation of the current roll-forward, including how it was derived (set asides, specific encumbrances, planned reserves, etc.) • An explanation of the set-asides and the planned uses of those funds in order to minimize future carry-forward. • The number of personnel FTE units funded by the program, including the number of vacant positions, and a comparison to the prior year and an explanation of significant variances. Some suggested items for the periodic updates include: • Confirmation of roll-forward from previous year, including any restrictions on the amount (i.e. set-asides). • Results of the student FTE counts and FRPL enrollment as compared to initial projections. • An update on the number of vacant personnel positions, and a determination of whether some of those funds could be redirected. • Significant changes in funding or planned uses. • Final year-end program analysis.	The method used to assign funds to schools will take into account all of the issues that need to be accounted for from state issues of sequestration and the decrease of funding that occurs frequently from the state based on the federal government's decreasing dollars coming to the state. Our schools become eligible to receive Title I funds based upon federal guidelines for services for students. This determination is based on the number of students qualified to receive free or reduced lunch. Our district uses the February Date Certain count from the prior year to rank order the status and needs of each school. In June 2012 an allocation spreadsheet was submitted to Senior Leadership to include: amounts allocated to each school, amount allocated to the district, district personnel, set asides, roll-forward amount, planned reserves, parent involvement, and sequestration. An explanation was provided along with the form. Each year the Title I Department plans on a roll-forward amount of up to 15% percent of the allocation in order to account for possible decreases in the upcoming school years Title I funds. This provides some stability in the schools for services to students with Title I funding.

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	2. *Federal Grant Budget-to-Actual Monitoring and Reporting - continued*		
			In August 2012 a summary of the Title I funding will be provided to senior leadership and how they plan to use funds, and then again in June of 2013 to evaluate what schools did throughout the 2012-2013 school year. The items for periodic update have included a semi-annual FRPL enrollment, as provided by our Food Services department. This process is currently in place and will continue to be maintained. In January of each year a review of expenditures and current balances of the district portion of the Title I budget will occur. This review may provide schools with additional funding to secure additional services to students between January and June.
			We utilize the comparison worksheet that is done in October once the October Date Certain is received that compares the February Date Certain count from the previous year. This worksheet shows the change in FTE and FRPL from one year to the next. If adjustments to school budgets are necessary it will be done after the date certain certification is received. This includes the Charter schools and their Title I estimated funds.
			We utilize the comparison worksheet that is done in October once the October Date Certain is received that compares the February Date Certain count from the previous year.

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
High	2. *Federal Grant Budget-to-Actual Monitoring and Reporting - continued*		
			This worksheet shows the change in FTE and FRPL from one year to the next. If adjustments to school budgets are necessary it will be done after the date certain certification is received. This includes the Charter schools and their Title I estimated funds.
			A "Grants At A Glance" summary will be distributed quarterly for school principals to more readily review and expend Title I budget funds throughout the year. This form will also be complied quarterly for Senior Leadership and Board indicating the amount that has been spent by each school, set-asides and the district budget. The number of personnel funded by the program for the 12-13 year in comparison to the previous year will also be listed on the form. A note will be added for any significant changes that take place.
			The Title I Department and District directors will review: roll forward monies, and funds for set-asides. Communication will occur quarterly to monitor initial funding, additional fund allocations, and end-of-year grant completions.
			ECD: December 2012 and June 2013 (Year-End)
			Responsible Parties: George Leidigh, Title I Director; Sarah Ray, Title I Secretary; District Directors

ISSUES MATRIX

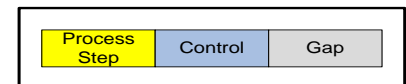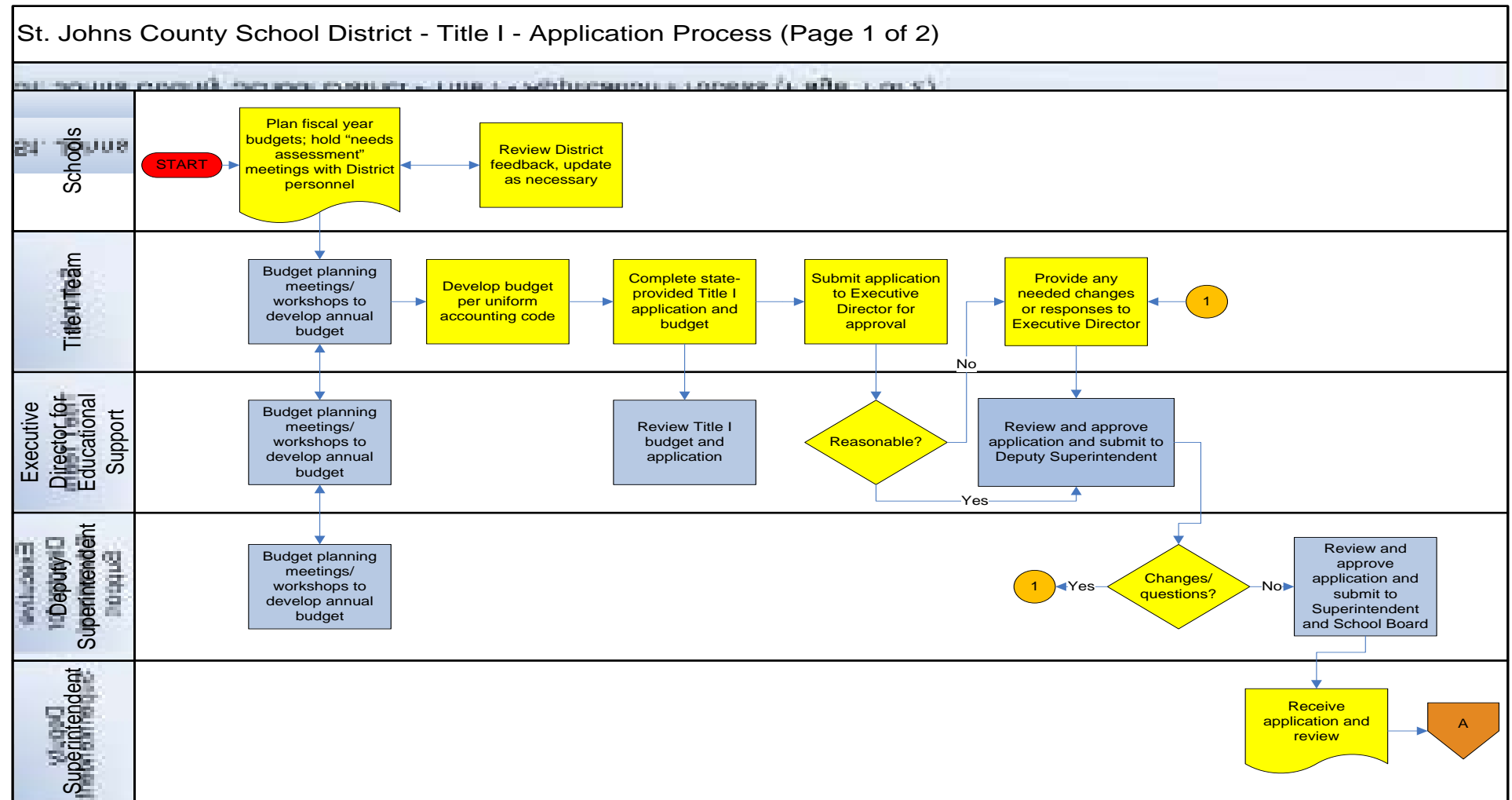| Rating	Issues	Recommendation	Management Response
<mark>Moderate</mark>	**3. *Review and Reconciliation of Time and Effort Reporting***		
	Time and effort reporting is completed by employees who are funded by the IDEA program, either in full or partially, to ensure that their time and level of effort spent on IDEA allowable activities matches the budget allocation of federal funding. This requirement applies to all federal funding, not just IDEA. As more fully described in the Background section of this report, the State of Florida has been approved for use of a substitute system of time and effort allocation reporting. Each district in the state has the option of choosing to follow OMB Circular A-87 or this substitute system, PARS. PARS allows for pre-defined semi-annual reporting, while OMB Circular A-87 requires monthly reporting. Per the Florida Department of Education's *Green Book*, school districts choosing not to use PARS must implement a system that meets all of the OMB Circular A-87 standards. OMB Circular A-87 (Attachment B, Section 8.h - Support of Salaries and Wages) states the following related to personnel activity reports: "(a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity for which each employee is compensated, (c) They <u>must be prepared at least monthly and must coincide with one or more pay periods</u>, and (d) They must be signed by the employee."	The monthly reporting provides a higher degree of transparency and accountability of the use of funds. It also serves as audit support for the proper use of the funding during external and regulatory audits. Reconciliation between actual and anticipated/ budgeted time and effort should occur to ensure that: • Employees in all federally funded positions, including those that are fully and partially funded by IDEA dollars, have completed requisite time and effort activity reports and provided appropriate support where applicable. • Adequate segregation of duties related to initiation, authorization, reconciliation and reporting is in place. We recommend the following: • The monthly employee time and effort reporting should be submitted to the teams/departments with grant oversight and monitoring responsibilities; • The grant teams/departments should then review the time and effort reporting for accuracy and reasonableness, prepare a summary of the grant's related time and effort reporting by employee and submit the summary to the Director of Accounting and Payroll by the 20th of following month to allow time for questions. The summary can be easily prepared in an excel file which is maintained by month.	The Title I Department will develop a form to capture Time and Effort data required from personnel paid by Title I grants. A log will be completed and maintained at the school level, signed by the principal, and monitored monthly by the Title I Department. This report will be signed by the principal at each school and submitted to the Title I office for review. Once the log has been reviewed the Title I staff will check off each employee on the school's budget sheet and submit the verified log to the Federal Programs Director who will forward it to the Director of Accounting and Payroll to go with the electronic submission of Time and Effort logs. Principals at each school will evaluate staff based on employee's job descriptions. Paraprofessionals and teachers in the Title I program are required to fill out a duty schedule to ensure segregation of duties from non-Title I employees.

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
<mark>Moderate</mark>	**3. *Review and Reconciliation of Time and Effort Reporting - continued***		

	Currently, time and effort reporting for employees who work on more than one Federal program submit time and effort logs directly to the Director of Accounting and Payroll on a monthly basis. These time and effort reports summarize the number of hours spent on each program or cost objective for the previous month. The Director of Accounting and Payroll is currently tasked with ensuring that the appropriate time and effort logs have been received and are mathematically correct. All split-funded employees are required to maintain supporting documentation (personnel activity reports) that supports the time and effort logs submitted to the District. The Director of Accounting and Payroll is not the appropriate individual to be the initial and only reviewer of time and effort reporting, as they are not involved with grant employee assignment and monitoring and oversight responsibilities of the District's federal grants.
	
	We also noted that PAR documentation maintained by the employee is not reviewed for existence and reasonableness, nor is a reconciliation of actual and budgeted time and effort performed. The above could result in reporting errors that are not detected in a reasonable time period or at all.
		• A requirement of an individual's PAR documentation should include a reconciliation section to facilitate monitoring of actual versus budgeted time and any required adjustments. If variances between budget and actual allocations exist, there should be appropriate resolution documented on the form.
		• On a periodic basis, routine spot check/audit of records to substantiate PAR forms should be performed by the team/department with monitoring and oversight responsibilities. This would include ensuring the following:
		   o PARs are accurate and reasonable based on the grant team/department's understanding of the employee's activities and overall program knowledge.
		   o Federally funded employees have appropriate job descriptions that identify their respective cost objective(s) and responsibilities are "allowable" under federal guidelines,
		   o Performance evaluations are performed and are based upon the responsibilities noted in their respective job descriptions,
		   o Payroll records/timesheets or other appropriate support reflect the appropriate time and effort as reported on the PAR,
		• This above should be document within the grant policies and procedures (see issue #3).
		
		All of these actions will assist in ensuring compliance with the rules of OMB Circular A-87.
			A review of the PARs will occur when the Title I department goes to the schools to monitor the Title I program. Verification of employee duties will be monitored as well as observing Title I staff in their settings.
			
			All federally funded positions are supplemental. The Budget department provides all schools with necessary funding to meet class size requirements. The Title I funds are used to supplement the school budgets and provide services to students. All positions are reviewed by the Director for Federal Programs for compliance as they are approved.
			
			ECD: September 2012
			
			Responsible Parties:
			George Leidigh, Title I Director
			Sarah Ray, Title I Secretary

ISSUES MATRIX

Rating	Issues	Recommendation	Management Response
Moderate / Low	**4. *Succession Planning and Documented Title I Procedures***		
	We noted during our interviews with district personnel that there is no formal succession plan for the department. There has been personnel transition over the years regarding responsibility of Title I monitoring and oversight, rendering department knowledge of the programs and expertise spread throughout the District.	The Title I grant is highly regulated and serves a unique subset of the general student population, requiring a specialized level of program and regulatory knowledge; therefore, Title I grant management is high risk, and its administration requires minimal business interruption.	Current federally funded program staff will be cross-trained in many of the areas of other grants so that future succession will include qualified and informed people already in place within the district to assume responsibilities.
	Without a formalized succession plan and transition period, there is an increased risk of non-performance of key controls in the process and potential non-compliance with program requirements.	The District should evaluate the current department organizational structure including positions and responsibilities within the function and determine an appropriate succession plan and transition period for ensuring minimal day-to-day interruption.	In reference to the highly specific needs of the Title I program: A new Director for Federal Programs has been appointed who has direct knowledge of the grant and has worked directly at the district and school level with the grant for the past 13 years. He has attended state trainings and is familiar with the Title I program and regulatory knowledge.
	Additionally, we noted there are no documented procedures of district-level processes to ensure that specific tasks are assigned and completed as required, including a calendar of significant events that need to occur and assignment of responsibility. We did note a comprehensive Title I Handbook is available for the schools.	In addition, we recommend that the department develop written processes to ensure guidance is available in the event of turnover or prolonged absence, as well as to facilitate cross training or transition during succession planning.	A review of the current department organizational structure is occurring at this time. An executive secretary is being hired to facilitate the grant. A transition period will include the training of an executive secretary with the existing Confidential Secretary assisting. Written processes will include a monthly calendar with backup staff trained to handle activities in the absence of any individual in the Department.
	Lack of documented procedures increase the risk of non-compliance, especially in a decentralized environment.	We have documented our understanding of the Title I process in the process map included with this report, which can be used as a starting point for developing procedures as well as a training tool.	**ECD:** December 2012
			Responsible Parties: George Leidigh, Title I Director Title I Department Personnel

Process Maps

Process Maps

St. Johns County School District - Title I - Application Process (Page 1 of 2)

	Process Step	Control	Gap

Process Maps

St. Johns County School District - Title I – Application Process (Page 2 of 2)

School Board

A → Receive application and review → Discuss and approve application and document in minutes

Superintendent

Sign application

Receive award letter from Title I (Note 1)

Title I District Staff

Submit online application and DOE 100 hardcopy application with Superintendent signature → Forward copy of detailed budget by accounting strings to Budget Office → Perform periodic budget to actual review → END

Title I Budget Office

Receive detailed budget by accounting strings → Access GL and input budget detail by accounting string → On a ongoing basis, compile budget to actual expenditures → END
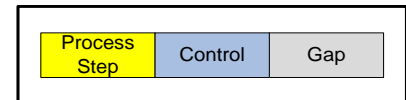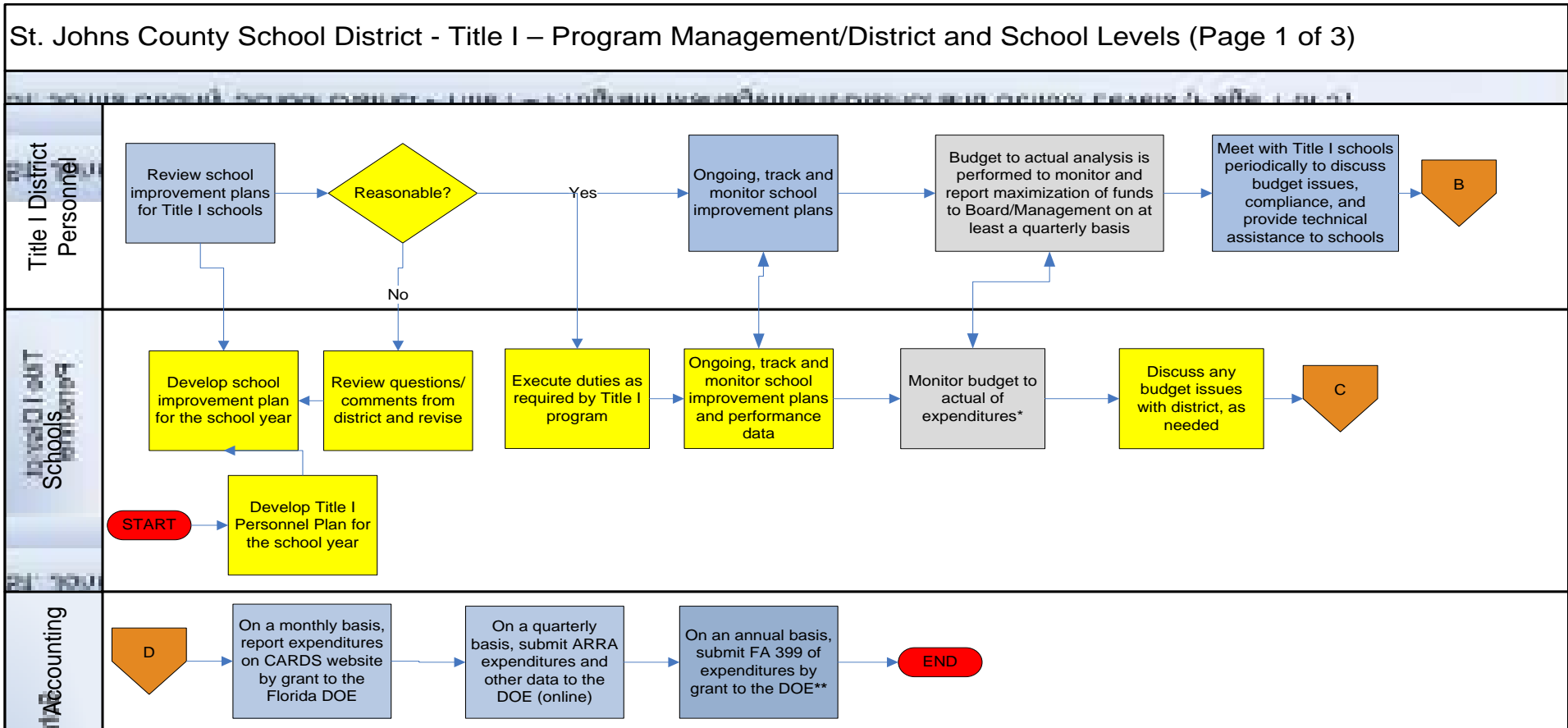
Note 1: The Award Letter is sent by email to the Superintendent and then distributed to Title I personnel. Official signed award letter is received by Superintendent a few weeks subsequent to email communication.

Process Step	Control	Gap

Process Maps

St. Johns County School District - Title I – Program Management/District and School Levels (Page 1 of 3)

Title I District Personnel

- Review school improvement plans for Title I schools
- Reasonable?
  - Yes → Ongoing, track and monitor school improvement plans
  - No → Develop school improvement plan for the school year / Review questions/comments from district and revise
- Budget to actual analysis is performed to monitor and report maximization of funds to Board/Management on at least a quarterly basis
- Meet with Title I schools periodically to discuss budget issues, compliance, and provide technical assistance to schools
- B

Title I Schools

- START
- Develop Title I Personnel Plan for the school year
- Develop school improvement plan for the school year
- Review questions/comments from district and revise
- Execute duties as required by Title I program
- Ongoing, track and monitor school improvement plans and performance data
- Monitor budget to actual of expenditures*
- Discuss any budget issues with district, as needed
- C

Accounting

- D
- On a monthly basis, report expenditures on CARDS website by grant to the Florida DOE
- On a quarterly basis, submit ARRA expenditures and other data to the DOE (online)
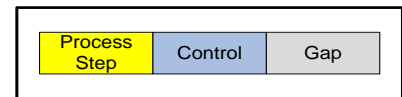- On an annual basis, submit FA 399 of expenditures by grant to the DOE**
- END

Note 1: CARDS stands for Cash Advance and Reporting of Disbursements System, used for expenditure reporting to the Florida DOE.
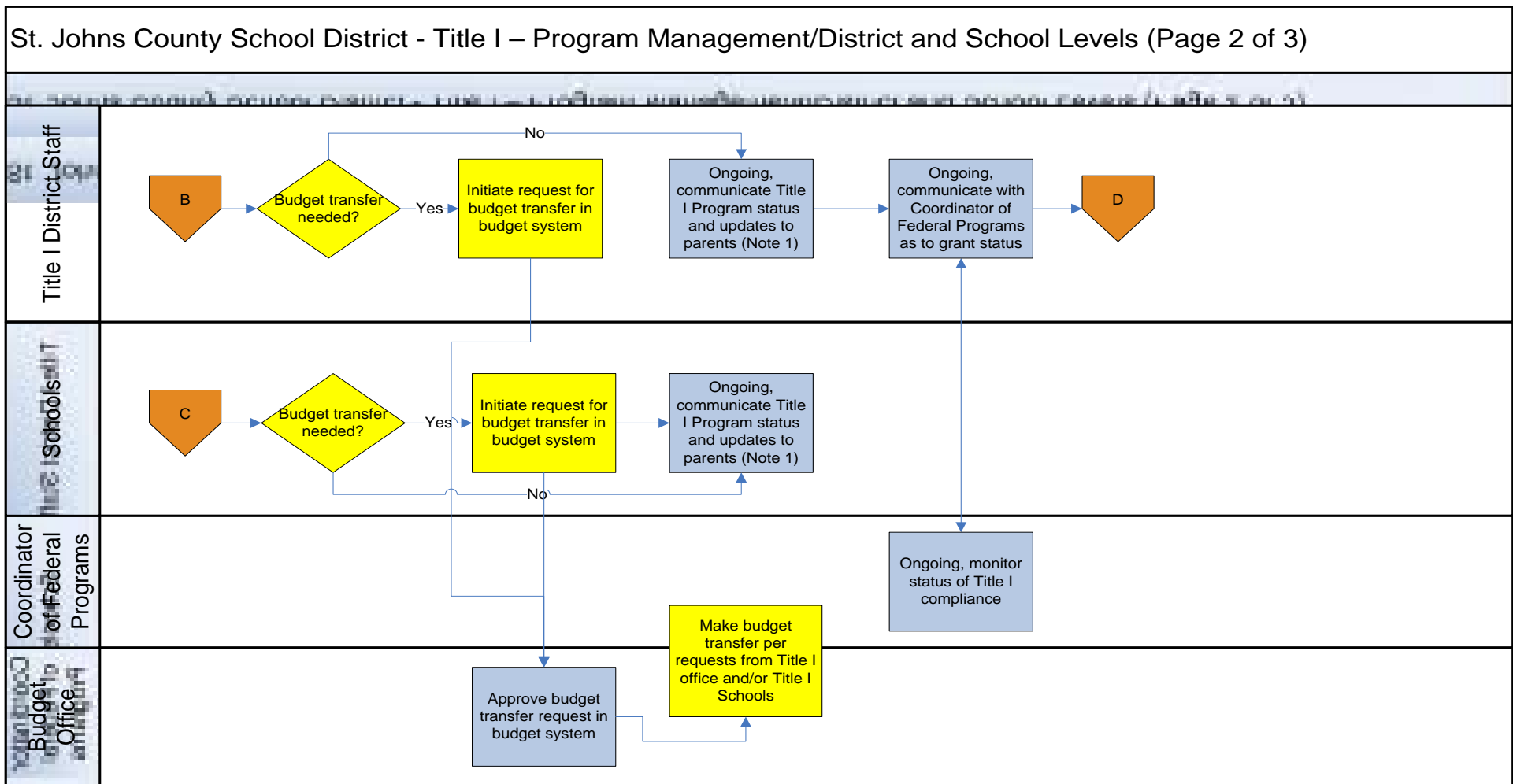
*The monitoring of budget to actual expenditures is not performed at a set timeframe and is not documented.

Note: Title I schools are identified by percentage of poverty level students. Poverty level students are identified through the FTE process and free breakfast and/or free lunch program monitored by Food Services.
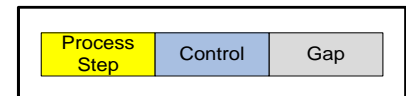
**District practice is to submit the FA399 upon completion of the Annual Financial Report (AFR), which is after the August due date.

Process Step	Control	Gap

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Process Maps

St. Johns County School District - Title I – Program Management/District and School Levels (Page 2 of 3)
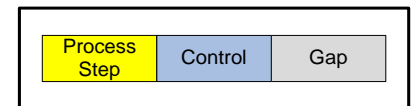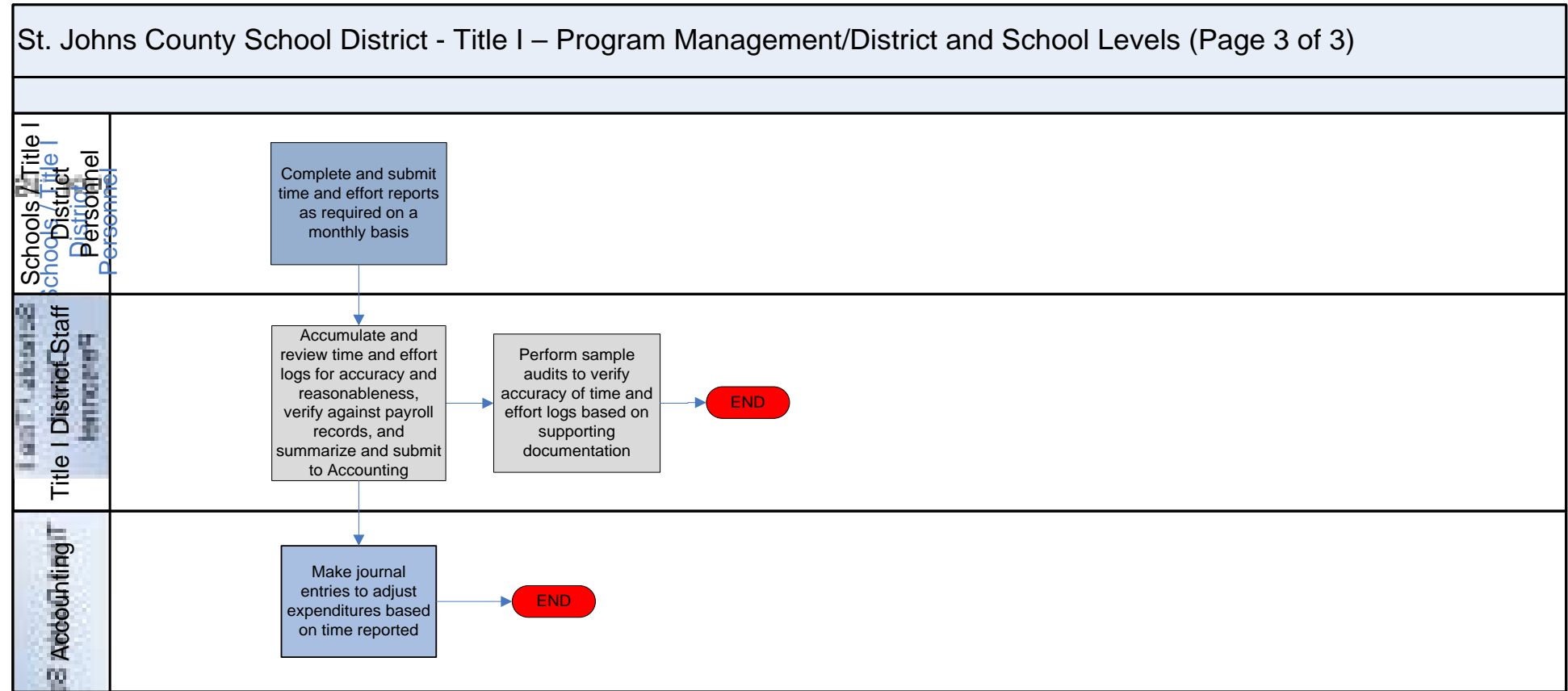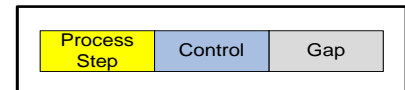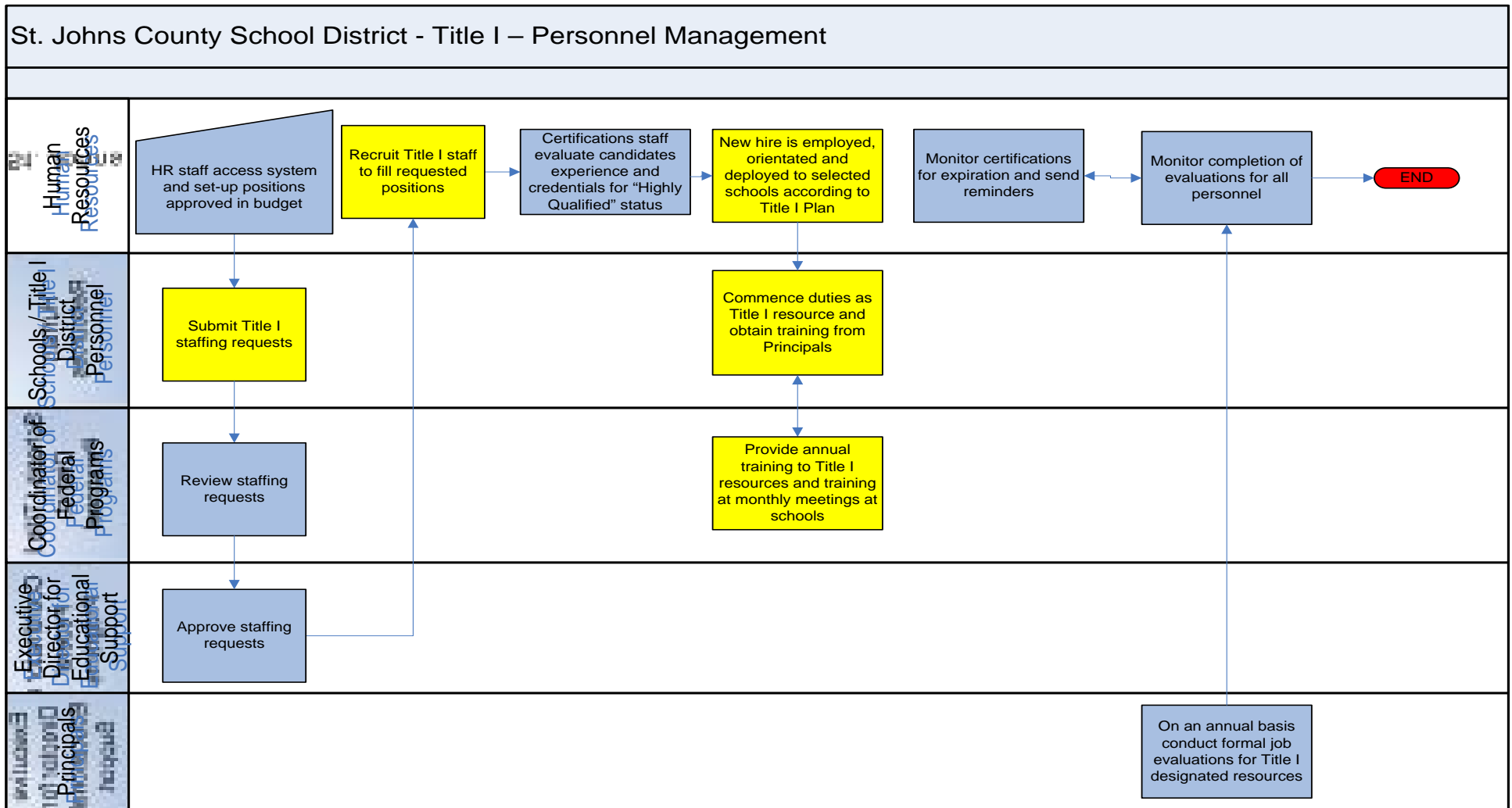

Note 1: Title I updates are communicated by quarterly newsletters sent home to parents of children in Title I designated schools and posted on the Title I website, distribution of Title I parent handbook, and meetings held at the schools.

Process Step	Control	Gap

Process Maps

St. Johns County School District - Title I – Program Management/District and School Levels (Page 3 of 3)

Schools / Title I District Personnel	Complete and submit time and effort reports as required on a monthly basis

Title I District Staff

Accumulate and review time and effort logs for accuracy and reasonableness, verify against payroll records, and summarize and submit to Accounting → Perform sample audits to verify accuracy of time and effort logs based on supporting documentation → **END**

Accounting

Make journal entries to adjust expenditures based on time reported → **END**

Process Step	Control	Gap

Process Maps

St. Johns County School District - Title I – Personnel Management

Human Resources

- HR staff access system and set-up positions approved in budget
- Recruit Title I staff to fill requested positions
- Certifications staff evaluate candidates experience and credentials for "Highly Qualified" status
- New hire is employed, orientated and deployed to selected schools according to Title I Plan
- Monitor certifications for expiration and send reminders
- Monitor completion of evaluations for all personnel
- END

Schools/Title I District Personnel

- Submit Title I staffing requests
- Commence duties as Title I resource and obtain training from Principals

Coordinator of Federal Programs

- Review staffing requests
- Provide annual training to Title I resources and training at monthly meetings at schools

Executive Director for Educational Support

- Approve staffing requests

Principals

- On an annual basis conduct formal job evaluations for Title I designated resources

Process Step	Control	Gap

Process Maps

St. Johns County School District - Title I - Grant Compliance - Expenditures

Process Step	Control	Gap

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