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FEDERAL REPORTS AND SCHEDULES

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*INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS*

*INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133*

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS*

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*

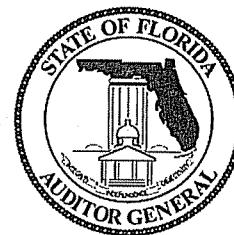
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – FEDERAL AWARDS*



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Clay County District School Board as of and for the fiscal year ended June 30, 2005, and have issued our report thereon included under the heading ***INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS***. Our report on the basic financial statements included disclosures regarding our reference to the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The financial statements of the school internal funds and the Clay County Education Foundation, Inc., were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to the school internal funds or to the component unit.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the District's basic financial statements and not to provide an opinion on the District's internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. These matters are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions referred to above is a material weakness.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other deficiencies which are discussed in the ***FINDINGS AND RECOMMENDATIONS*** section of this audit report and an instance of noncompliance related to Federal programs which is discussed in the ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL AWARDS*** section of this audit report.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA

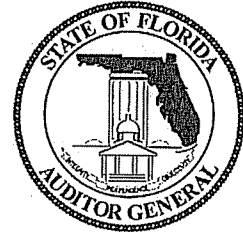
January 19, 2006



WILLIAM O. MONROE, CPA  
AUDITOR GENERAL

# AUDITOR GENERAL STATE OF FLORIDA

G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, Florida 32399-1450



850/488-5534/SC 278-5534  
Fax: 488-6975/SC 278-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### *Compliance*

We have audited the District's compliance with the types of compliance requirements described in the United States Office of Management and Budget's (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. The District's major Federal programs are identified in the **SUMMARY OF AUDIT RESULTS** section of the accompanying **SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS**. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the District's major Federal programs is the responsibility of District management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of the District's compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the OMB's *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended June 30, 2005. However, as discussed in the accompanying *SCHEDULE OF FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS*, the results of our auditing procedures disclosed an instance of noncompliance with requirements applicable to a program which was not a major program.

#### *Internal Control Over Compliance*

District management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*.

Our consideration of internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, Federal and other granting agencies, and applicable management. Copies of this report are available pursuant to Section 11.45(4), Florida Statutes, and its distribution is not limited.

Respectfully submitted,



William O. Monroe, CPA  
January 19, 2006

**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2005**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
<b>United States Department of Agriculture:</b>			
Indirect:			
Florida Department of Agriculture and Consumer Services: Food Donation	10.550 (2)(A)	None	\$ 622,279.14
Florida Department of Education: Child Nutrition Cluster: School Breakfast Program	10.553	321	516,663.00
National School Lunch Program	10.555	300	2,865,422.00
<b>Total Child Nutrition Cluster</b>			<u>3,382,085.00</u>
<b>Total United States Department of Agriculture</b>			<u>4,004,364.14</u>
<b>United States Department of Justice:</b>			
Indirect:			
Clay County Board of County Commissioners: Part E - State Challenge Activities	16.549	5138075	128,382.12
<b>United States General Services Administration:</b>			
Indirect:			
Florida Department of Management Services: Donation of Federal Surplus Personal Property	39.003 (2)(B)	None	3,779.26
<b>United States Department of Education:</b>			
Direct:			
Impact Aid	84.041	N/A	743,307.94
Indirect:			
Special Education Cluster: Florida Department of Education: Special Education - Grants to States	84.027	262, 263	7,183,777.90
Special Education - Preschool Grants	84.173	267	185,159.17
Duval County District School Board: Special Education - Grants to States	84.027	48305	5,502.83
<b>Total Special Education Cluster</b>			<u>7,374,439.70</u>
Florida Department of Education: Title I Grants to Local Educational Agencies	84.010	212	2,684,823.88
Vocational Education - Basic Grants to States	84.048	151	238,699.37
Safe and Drug-Free Schools and Communities - State Grants	84.186	103	107,339.43
Education for Homeless Children and Youth	84.196	127	118,414.53
State Grants for Innovative Programs	84.298	113	148,687.17
Education Technology State Grants	84.318	121	103,638.73
Reading First State Grants	84.357	211	236,599.86
English Language Acquisition Grants	84.365	102	23,188.00
Improving Teacher Quality State Grants	84.367	224	1,019,564.58
St. Johns County District School Board: Tech-Prep Education	84.243	603305	948.48
Washington County District School Board: Reading First State Grants	84.357	7429003	1,025.52
<b>Total Indirect</b>			<u>12,057,369.25</u>
<b>Total United States Department of Education</b>			<u>12,800,677.19</u>
<b>United States Department of Health and Human Services:</b>			
Indirect:			
Florida State University: Block Grants for Prevention and Treatment of Substance Abuse	93.959	R00371	4,316.00
<b>Corporation for National and Community Service:</b>			
Indirect:			
Florida Department of Education: Learn and Serve America - School and Community Based Programs	94.004	234	3,743.06
<b>United States Department of Homeland Security:</b>			
Indirect:			
Florida Department of Community Affairs: Public Assistance Grants	97.036	None	73,239.48
<b>United States Department of Defense:</b>			
Direct:			
Navy Junior Reserve Officers Training Corps	None	N/A	231,485.03
<b>Total Expenditures of Federal Awards</b>			<u>\$ 17,249,986.28</u>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal programs during the 2004-05 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the District's accounting records from which the basic financial statements have been reported.

(2) Noncash Assistance.

(A) Food Donation - Represents the amount of donated food received during the 2004-05 fiscal year and includes cash-in-lieu of donated food totaling \$47,229.61. Commodities are valued at fair value as determined at the time of donation.

(B) Donation of Federal Surplus Property - Represents 23.3 percent of the original acquisition costs of the donated Federal surplus property obtained during the 2004-05 fiscal year.

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**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**SUMMARY OF AUDIT RESULTS**

As required by United States Office of Management and Budget *Circular A-133*, Section \_\_.505, the following is a summary of the results of the audit of the Clay County District School Board for the fiscal year ended June 30, 2005:

- An unqualified opinion was issued on the financial statements.
- Certain matters involving the internal control and its operation were considered to be reportable conditions, though none of the reportable conditions was considered a material weakness.
- No noncompliance was disclosed which is material to the financial statements.
- No reportable conditions in internal control over major Federal programs were reported.
- An unqualified opinion was issued on major program compliance.
- Audit findings on Federal programs are listed below under the subheading ***FINDINGS AND RECOMMENDATIONS***.
- Major Federal programs included: Title I Grants to Local Educational Agencies (CFDA No. 84.010) and Special Education Cluster [Special Education – Grants to States (CFDA No. 84.027) and Special Education – Preschool Grants (CFDA No. 84.173)].
- The dollar threshold used to distinguish between Type A and Type B Federal programs was \$517,499.59.
- The low risk entity threshold was not applied.

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**CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS –  
FEDERAL AWARDS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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**FINDINGS AND RECOMMENDATIONS**

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**Federal Awards Finding No. 1:**

**Federal Agency:** United States Department of Agriculture

**Pass-Through Entity:** Florida Department of Education

**Program:** Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)

**Finding Type:** Noncompliance

**Questioned Costs:** N/A

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**Cash Management – Food Service.** Title 7, Section 210.14(b), Code of Federal Regulations, states that the school food service authority (Clay County District School Board) shall limit its net cash resources to an amount that does not exceed three months' average expenditures for its nonprofit school food service or such other amount as may be approved by the State agency (Florida Department of Education) in accordance with Title 7, Section 210.19(a), Code of Federal Regulations. Title 7, Section 210.19(a)(2), Code of Federal Regulations, in part, requires that in the event that net cash resources exceed three months' average expenditures for the school food authority's nonprofit school food service or such other amount as may be approved in accordance with this paragraph, the State agency may require the school food authority to reduce the price charged to children for lunches, or to improve food quality, or to take action designed to improve the nonprofit school food service. In the absence of any such action, the State agency shall make adjustments in the rate of reimbursement under the Program.

The District reported expenditures of \$8,616,345 in its Food Services Fund for the 2004-05 fiscal year. The average three months' expenditures for the 2004-05 fiscal year totaled \$2,584,904 based on ten months of operation. The net cash resources for the Food Services Fund at June 30, 2005, totaled \$3,352,345, which exceeded the average three months' expenditures by \$767,441.

In a letter dated March 4, 2005, the District advised the Florida Department of Education of its plan to reduce the excess net cash resources, in accordance with Title 7, Code of Federal Regulations. District personnel indicated that excess cash resources will be used for additional or replacement equipment, upgrading computer equipment, a new transport vehicle, and increased labor, food, and utility costs.

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**Recommendation:** The District should continue its efforts to ensure that net cash resources of its Food Services Fund are maintained at the level prescribed in the Federal Regulations.

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District Contact Person: Wimberly Brackett, Director of Food and Nutrition Services



*CLAY COUNTY  
DISTRICT SCHOOL BOARD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2005*

Listed below is the District's summary of the status of prior audit findings on Federal programs:

Audit Report No. and Federal Awards Finding No.	Program/Area	Brief Description	Status	Comments
2005-151		There were no prior Federal audit findings.		

MANAGEMENT RESPONSE



David Owens  
Superintendent of Schools

CLAY COUNTY DISTRICT SCHOOLS

BUSINESS AFFAIRS DIVISION  
900 Walnut Street  
Green Cove Springs, Florida 32043

Telephones:

904/284-6501 (GCS) 904/272-8100 (OP)  
1-888-633-2529 (KH)  
FAX 904/284-6525 TDD 904/284-6584

BOARD MEMBERS

Carol Vallencourt  
*District 1*  
Carol Studdard  
*District 2*  
Charles Van Zant, Jr.  
*District 3*  
Wayne Bolla  
*District 4*  
Lisa Graham  
*District 5*

February 2, 2006

William O. Monroe, CPA  
Auditor General  
3974 Woodcock Drive  
Suite 101A  
Jacksonville, Florida 32207

RE: Audit Findings, Corrective Actions, and Management  
Letter From the Clay County School Board for Fiscal  
Year Ended June 30, 2005

Dear Mr. Monroe:

Please find enclosed the District's responses to audit findings. We are confident that our corrective actions to the findings will be an acceptable approach in improving our management of district resources.

The audit of the Clay County School District was done in a professional manner, and the audit personnel were courteous and helpful during the audit process. We look forward to your next audit review of the district.

If these responses and corrective actions need further clarification please contact me at your convenience.

Sincerely,

George F. Copeland, CPA  
Assistant Superintendent of Business Affairs

GFC/sn

pc: David Owens, Superintendent  
Ben Wortham, Deputy Superintendent

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MANAGEMENT RESPONSE (CONTINUED)



David Owens  
Superintendent of Schools

**SCHOOL DISTRICT OF CLAY COUNTY** BOARD MEMBERS

Business Affairs Division  
900 Walnut Street  
Green Cove Springs, FL 32043

Telephones:

904/284-6500 (GCS) 904/272-8100 (OP)  
1-888-633-2529 (KH)  
FAX 904/284-6525 TDD 904/284-6584

Carol Vallencourt  
*District 1*  
Carol Studdard  
*District 2*  
Charles Van Zant,  
Jr.  
*District 3*  
Wayne Bolla  
*District 4*  
Lisa Graham  
*District 5*

To: William O. Monroe  
Auditor General  
State of Florida  
Tallahassee, Florida 32399-1450

From: Dr. George Copeland *GC*  
Assistant Superintendent of Business Affairs

Re: AUDIT RESPONSE TO FINDING #1 - SELF INSURANCE MONITORING

Date: February 1, 2006

The District will establish control procedures providing for an annual review of claims payments made by the service agent on the District's behalf. Claims files will be inspected on a test basis to ensure the validity of payments made.

MANAGEMENT RESPONSE (CONTINUED)



David L. Owens  
Superintendent of Schools


SCHOOL DISTRICT OF CLAY COUNTY

900 Walnut Street  
Green Cove Springs, Florida 32043  
Telephones:  
904/284-6500 (GCS) 904/272-8100 (OP)  
1-888-663-2529 (KH)  
FAX 904/284-6525 TDD 904/284-6584

BOARD MEMBERS:

- Carol Vallencourt  
District 1
- Carol Studdard  
District 2
- Charles Van Zant, Jr.  
District 3
- Wayne Bolla  
District 4
- Lisa Graham  
District 5

To: William O. Monroe  
Auditor General  
State of Florida  
Tallahassee, Florida 32399-1450

From: Steven F. Miller   
Director, Information Services

Re: AUDIT RESPONSE TO FINDING # 2 –  
INFORMATION TECHNOLOGY – DISASTER RECOVERY PLAN

Date: January 24, 2006

The School District of Clay County continues to work diligently to protect both the programs and the physical assets necessary to operate its business practices. As noted in previous audit responses there are policies and procedures in place to handle many emergency situations. We believe that our hurricane preparedness procedures are well designed to protect district assets and to ensure our ability to offer essential services such as the ability to print checks and purchase orders. These were used successfully for both hurricanes Jeanne and Frances last year. The process involved moving our development AS/400 and related peripherals to the most hurricane resistant building in the district.

We are currently in negotiations with Collier County Schools to serve as an off-site repository for their programs and data, while they will act as the repository for our programs and data. We hope to have the procedures in place for the 2006-2007 school year.

"An Equal Opportunity Employer"

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**MANAGEMENT RESPONSE (CONTINUED)**


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**David Owens**  
Superintendent of Schools

**CLAY COUNTY DISTRICT SCHOOLS**

**BUSINESS AFFAIRS DIVISION**  
900 Walnut Street  
Green Cove Springs, Florida 32043

Telephones:

904/284-6501 (GCS) 904/272-8100 (OP)  
1-888-633-2529 (KH)  
FAX 904/284-6525 TDD 904/284-6584

**BOARD MEMBERS**

Carol Vallencourt  
*District 1*  
Carol Studdard  
*District 2*  
Charles Van Zant, Jr.  
*District 3*  
Wayne Bolla  
*District 4*  
Lisa Graham  
*District 5*

Date: January 31, 2006

To: William O. Monroe, CPA  
Auditor General  
State of Florida  
Jacksonville, Florida 32399-1450

From: George F. Copeland *GFC*  
Assistant Superintendent of Business Affairs

Re: Audit Response to Finding #3 – Ad Valorem Taxation

In the future the District will implement the requirements of Section 1011.71(5)(a), Florida Statutes. Also, the expenditure of \$32,594 was restored to capital outlay millage funds.

*" An Equal Opportunity Employer "*

MANAGEMENT RESPONSE (CONTINUED)

Wimberly Brackett MS,RD,LD  
Food and Nutrition Services Department  
925 Center St  
Green Cove Springs, FL 32043

Food and Nutrition Services

January 24, 2006

William Monroe, CPA, Auditor General  
State of Florida  
G74 Claude Pepper Building  
111 West Madison St.  
Tallahassee, FL 32399-1450

Dear Mr. Monroe:

In response to the preliminary and tentative audit findings for our Department, I would like to address both Finding No. 4 and the Federal Awards Finding No. 1.

In regards to Federal Awards Finding No. 1, our Department has made a continuous effort to reduce the net cash resources (NCR) of the Food Services Fund this school year. In addition to purchasing and replacing large equipment for most schools throughout the District, we have also upgraded computer systems and software. More support will be given to the schools next year with the addition of a manager intern allocation. We also will continue to improve food quality by purchasing more expensive items requested by students. The efforts to reduce the NCR of the Food Services Fund have been ongoing and are reflected in our expenses for the current school year.

Concerning Finding No. 4 (Monitoring of Food Costs per Meal), we are now utilizing an Excel program in which monthly food costs are calculated for each school. In addition to purchased food, this program is also able to monitor supplies, commodities and labor costs. All food costs are monitored monthly and are separated by self-contained and satellite program where appropriate.

We agree with the auditor's recommendations and will continue to concentrate our efforts in improving both issues.

Sincerely,

*Wimberly Brackett*

Wimberly Brackett MS,RD,LD  
Director of Food and Nutrition Services

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**MANAGEMENT RESPONSE (CONTINUED)**


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David L. Owens  
Superintendent of Schools

**SCHOOL DISTRICT OF CLAY COUNTY**

900 Walnut Street  
Green Cove Springs, Florida 32043  
Telephones:  
904/284-6500 (GCS) 904/272-8100 (OP)  
1-888-663-2529 (KH)  
FAX 904/284-6525 TDD 904/284-6584

January 26, 2006

**BOARD MEMBERS:**

Carol Vallenecourt  
*District 1*  
Carol Studdard  
*District 2*  
Charles Van Zant, Jr.  
*District 3*  
Wayne Balla  
*District 4*  
Lisa Grnham  
*District 5*

Mr. William O. Monroe  
Auditor General  
STATE OF FLORIDA  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Re: Preliminary and tentative audit findings  
Clay County School District  
Fiscal year ending June 30, 2005  
Findings No. 5, Contractor Background Screening  
Requirements

Dear Mr. Monroe:

I have performed a follow-up investigation regarding Finding No. 5, Contractor Background Screening Requirements. I have determined that those individuals who were listed as being not in compliance have now been brought into compliance. Those persons or employees of entities listed are either not on Clay County School Board campuses with students present or have been printed and have passed. That would include the following:

- (1) Employees of Center Academy
- (2) Employees of Clay County Health Department
- (3) Employees of EBS HealthCare
- (4) Employees of First Coast Family Center
- (5) Lewis Fischer
- (6) Employees of Seaside Health Services
- (7) Michael Salaway
- (8) Employees of Sunbelt Staffing
- (9) Robin Vail

This should bring us into compliance with regard to this issue. If you have any questions, please feel free to call me.

Very truly yours,

J. Bruce Bickner

JBB:sgg

"An Equal Opportunity Employer"

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**MANAGEMENT RESPONSE (CONTINUED)**


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David L. Owens  
Superintendent of Schools

**SCHOOL DISTRICT OF CLAY COUNTY**

**DIVISION OF SUPPORT SERVICES**  
925 West Center Street  
Green Cove Springs, Florida 32043  
Telephones:  
904/284-6500 (GCS) 904/272-8100 (OP)  
1-888-663-2529 (KH)  
FAX 904/284-6566 TDD 904/284-6584

**BOARD MEMBERS:**

Carol Vallencourt  
*District 1*  
Carol Studdard  
*District 2*  
Charles Van Zant, Jr.  
*District 3*  
Wayne Bolla  
*District 4*  
Lisa Graham  
*District 5*

February 1, 2006

Mr. William O. Monroe  
Auditor General, State of Florida  
G74 Claude Pepper Building  
111 W. Madison Street  
Tallahassee, FL 32399-1450

SUBJ: 2006 AUDIT FINDINGS

Dear Mr. Monroe:

Finding No. 6: Architect Insurance

**Issue:** District procedures did not ensure that its architectural firms were adequately and properly insured. Section 4.1(2)(f) of the Florida Department of Education's publication, (State Requirements for Educational Facilities – 1999, recommends that district school boards ensure that their architects carry insurance for errors and omissions or liability, either through board policy or through the advertisement for request for services. During the 2004-05 fiscal years, the District entered into agreements for architectural services related to the \$19 million K-8 Oakleaf School and the \$14 million Coppergate Elementary School construction projects. Our review disclosed that the District did not obtain certificates of insurance from either of the architectural firms, and that neither the architect agreements nor the District's invitations to obtain professional services contained requirements for types and amounts of insurance coverages that should be carried.

The District can limit its exposure to the various risks of possible loss relating to architectural services by establishing procedures to ensure that its contracted firms are adequately and properly insured for coverages such as professional liability, errors and omissions, and general, automobile, and worker's compensation liability.

**Response:** The SREF Reference cited (Section 4.1(2) (f), 1999 SREF) is not a requirement. The reference is printed in italics and uses the phrase "should". The preface to the SREF states in part, "language in italics, which includes "may," "optional," "should," and "recommended," are recommendations, suggestions, and good practices provided for the new facilities administrator or the consultant unfamiliar with statutes, federal laws, building codes, fire codes, or other regulations applicable to public facilities construction programs."

While I agree it is worthwhile to investigate this issue for consideration in future projects, it is not a requirement at this time.

"An Equal Opportunity Employer"



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**MANAGEMENT RESPONSE (CONTINUED)**

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William O. Monroe  
February 1, 2006  
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Finding No. 7: Construction Management Entity

**Issue:** Section 1013.45(1)(c), Florida Statutes, authorized district school boards to contract for the construction or renovation of facilities with a Construction Management Entity (CME). The CME would be responsible for all scheduling and coordination in both design and construction phases and is generally responsible for the successful, timely, and economical completion of the construction project. The Statute further provides the CME may be required to offer a guaranteed maximum price (GMP). The GMP provision allows for the difference between the actual cost of the project and the GMP amount, or the net cost savings, to be returned to the District. The District's Facility Planning and Construction Department is responsible for construction project administration, including monitoring CME activities and reviewing documentation submitted in support of payment requests.

In our report No. 2005-151, we noted certain deficiencies in the District's monitoring of the CME for the new Lake Asbury Junior High project. The project was subsequently completed and accepted by the Board effective July 1, 2005. Our current review disclosed the following:

- A. The District did not ensure that the CME payment and performance bond amounts were adequate. Sections 1013.47 and 255.05, Florida Statutes, require a payment and performance bond when a governmental entity contracts to construct, remodel, or renovate a facility where the project cost exceeds \$200,000. Section 4.2(1)(a), State Requirements for Educational Facilities – 1999, requires that each bond shall equal 100 percent of the contract amount. In our prior report, we noted that the payment and performance bonds provided by the CME were for \$15,000,000 each, which was less than the GMP of \$15,533,757. Our current review disclosed that the CME payment and performance bonds were subsequently increased to \$15,533,757 each; however, the GMP contract amount was also subsequently increased by change orders to \$16,721,541, or \$1,187,784 more than the payment and performance bonds. When a bond is insufficient, the District is not fully protected in the event the CME fails to pay the subcontractors or complete the project.
- B. The District did not ensure that the CME complied purchase. The Board approved a \$230,802 fee with applicable Board policy for one change order for the CME to administer the purchase of food service equipment costing \$219,450, with an additional fee of \$11,352 for the CME's labor, bonds, insurance, and profit. Board Policy 5.02, Purchasing, requires that bids be requested from three or more reputable sources for any authorized purchase of \$25,000 or more. However, our review disclosed that the CME did not obtain bids from three or more sources, but instead obtained quotes from two vendors, one of which was the low bidder for other food service equipment and who provided the low quote for this purchase. Additionally, considering that the payment and performance bonds were not increased for change orders as discussed above, it is not evident that bonds and insurance comprising \$4,404 of the CME fee for this purchase were actually acquired.

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**MANAGEMENT RESPONSE (CONTINUED)**

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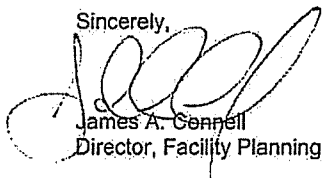
William O. Monroe  
February 1, 2006  
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Response:

- A. It appears the finding is correct as stated. The District is still investigating the bond issue with the CME.
- B. The CME bid the food service equipment as shown in the original plans and specifications. The bid was awarded to Jenkins Enterprises. Upon direction from the District to process a change order to furnish additional food service equipment, the construction manager requested a quotation from Jenkins Enterprises (the approved bidder) and in an attempt to provide the best value to the District, also requested a quote from American Restaurant Supply. The change order was ultimately processed through Jenkins Enterprises.

Please contact me at (904) 284-6517 if you need any additional information.

Sincerely,



James A. Connell  
Director, Facility Planning and Construction

JAC/dm

xc: Michael J. Elliott, Assistant Superintendent of Support Services

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