



"Making A Positive Difference"

THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

75 NORTH PACE BOULEVARD
PENSACOLA, FL 32505
PH. 850/432-6121 • FAX: 850/469-6379
<http://www.escambia.k12.fl.us>
MALCOLM THOMAS, SUPERINTENDENT

October 2, 2013

The Honorable William "Bill" Eddins
Office of State Attorney
1st Judicial Circuit of Florida
190 West Government Street
Pensacola, Florida 32502

Dear Mr. Eddins,

As communicated by memorandum on September 4, 2013, I am forwarding the district's Internal Auditor's report as well as the report containing responses completed by district management. Both documents are deemed substantially complete as only minor adjustments are anticipated to be made to each report. As previously requested, please have your office conduct a review of the materials to determine if the audit findings necessitate further investigation and/or prosecution.

Thank you for your attention to this matter.

Sincerely,

Malcolm Thomas

Copies to: School Board Members
Donna Waters, General Counsel
David Bryant, Office of Internal Auditing
Norm Ross, Deputy Superintendent
Gary Marsh, Investigator

The School Board of Escambia County
75 North Pace Boulevard
Pensacola, Florida 32505
Telephone: (850)469-6362 / Facsimile (850)469-6303

Jeff Bergosh, Chair
District 1

Gerald Boone
District 2


Linda Moultrie, Vice Chair
District 3

Patricia Hightower
District 4

Bill Slayton
District 5

Donna Sessions Waters
General Counsel

MEMORANDUM

DATE: September 24, 2013
TO: David Bryant
FROM: Donna Sessions Waters 
RE: Release of Legal Review of Draft Audit Report

As you know, on 9/4/13, I wrote a memorandum outlining issues I identified in a legal review of your draft audit report regarding the food services department. At the time I wrote it, I labeled it as Confidential Attorney Work Product and stated that it should not be released without written permission from this office.

As that memorandum has now been reviewed by the Superintendent, and because I understand that the Superintendent has sent correspondence to the State Attorney's Office based upon my memorandum, I believe that the confidentiality of this memorandum has lapsed. It is appropriate that my 9/4/13 memorandum be shared with the Audit Committee as they perform their normal review of your audit report. That will, of course, involve public discussion of the audit report and my memorandum, and both documents will be public records. I have discussed this issue with the Board Chair, who concurred in my judgment that the memorandum should be sent to the Audit Committee.

Please accept this as my written approval to release my 9/4/13 memorandum regarding the draft audit report.

Cc: School Board Members
Superintendent Thomas



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MALCOLM THOMAS, SUPERINTENDENT

September 4, 2013

The Honorable William "Bill" Eddins
Office of State Attorney
1st Judicial Circuit of Florida
190 West Government Street
Pensacola, Florida 32502

Dear Mr. Eddins,

The Escambia School District's Internal Auditor has recently completed a draft report which contains findings of possible criminal activity by the District's previous Director of Food Services. Once the report has been deemed complete and final, which is anticipated to be within the next seven to 10 business days, the document will be forwarded to your office. Upon receipt, I am requesting your office conduct a review of the material to determine if the audit findings necessitate further investigation and/or prosecution.

Thank you for your attention to this matter.

Sincerely,

Malcolm Thomas

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Donna Sessions Waters
General Counsel

MEMORANDUM

DATE: September 4, 2013
TO: School Board Members
FROM: Donna Sessions Waters
RE: Legal Review of Draft Audit Report

**DO NOT RELEASE WITHOUT WRITTEN APPROVAL OF GENERAL COUNSEL --
ATTORNEY WORK PRODUCT PRIVILEGE MAY APPLY
SCHOOL BOARD MEMBERS - DO NOT 'REPLY ALL' – RESPOND ONLY TO ME**

Per a request from Mr. Bergosh, I have read the draft report on the Audit of the Food Service Department, which I received from Mr. Bryant on Friday, August 30, 2013. The particular focus of my review was to determine if there is reason to believe that any criminal laws were violated, and to suggest next steps in dealing with any such violations. This is only a preliminary look at these questions, and further research and investigation may lead to additional points for consideration.

As you know, I served as an Assistant State Attorney for several years. A major part of my duties in that position was to review narratives and determine what charges could be brought against defendants, and I followed the same procedure in reviewing the Food Service Audit that I did as an Intake Prosecutor. Specifically, in my review, I assumed that all allegations in the narrative can be proven. I did not address the varying credibility of reporters nor the level of burden of proof to be met in a criminal prosecution. My task was only to point out where, in my legal opinion, there is reasonable cause to believe a crime may have occurred; the ultimate

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question of guilt or innocence was not one which I could address. Given those caveats, I would make the following comments.

1. **GAIL SZOBOSZLAY**

The draft report contains a number of allegations which, in my opinion, provide reasonable cause to believe that crimes were committed by former the Food Service Director, Gail Szoboszlay. I will discuss these in more or less chronological order.

a. The application and resume:

Page 3 of the draft report states that "[t]here were inconsistencies related to experience and education in Ms. Szoboszlay's application documents." While there are some inconsistencies noted with regard to certificates, degrees, and months of work with various employers, the most significant issue relates to information Ms. Szoboszlay provided regarding her duties with the M.D. Anderson Cancer Center in Houston, Texas. On her application, Ms. Szoboszlay listed her current position as "Director of Pediatric Nutrition." According to a recommendation letter submitted by Ms. Szoboszlay, she was a volunteer at that institution.

This discrepancy has not been fully explained. There is, of course, often an element of "puffery" or exaggeration when one is applying for a job, as the applicant seeks to cast his/her qualifications in the best possible light. However, the application is a written statement, and Ms. Szoboszlay could expect that school district personnel involved in the hiring process would rely upon it in their decision making process. Sec. 837.06, F.S. makes it a second degree misdemeanor to make a false statement in writing with the intent to mislead a public servant in the performance of an official duty. At this point, there appears to be a reasonable basis for believing that Ms. Szoboszlay violated Sec. 837.06.

b. The KESCO bid process:

The bid which was awarded to KESCO raises a number of red flags, which are discussed at length in the draft report (pp. 19 - 27). Amongst other improprieties, it appears that KESCO provided specifications for Ms. Szoboszlay's use in developing the RFP; KESCO representatives were allowed access to school facilities prior to the issuance of the RFP; and, although some vendors offered alternatives to the specifications in the RFP, Ms. Szoboszlay, in consultation with the committee, rejected all of them.

Sec. 838.22, F.S. makes it a second degree felony for a public servant to act, "with corrupt intent to influence ... the competitive bidding process." Specifically, a public servant may not disclose material information when such information is not public, and may not alter or amend the bid, documents, or supporting materials with the intent of giving a competitive advantage to any person. Given all the facts recited in the draft report, in my opinion there is sufficient cause to believe that Sec. 838.22 may have been violated.

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c. Solicitation of Contributions:

Several statutes address the improper receipt of pecuniary benefit by a public servant. Two of them are of particular interest here. Sec. 838.015, F.S. states that it is a felony of the second degree for any public servant to request, solicit, or accept (for him/herself or another) any benefit not authorized by law with the intent of influencing an act within the public servant's discretion. Sec. 838.016, F.S. likewise makes it a felony of the second degree for any public servant to accept any non-authorized compensation or reward for an act/omission within the public servant's discretion. Page 46 of the draft report discusses the solicitation of funds from a vendor for an alleged Hurricane Sandy relief effort, and little is known about the disposition of the only known donation. In addition, after Ms. Szoboszlay was advised that certain purchasing card expenses would be disallowed, she appears to have solicited donations from vendors which she intended to use in repaying the district for those purchases. This would be a clear pecuniary benefit to Ms. Szoboszlay. If a reasonable person would believe that these solicitations might influence Ms. Szoboszlay in her dealings with vendors, the above-referenced sections may indeed have been violated.

d. Falsification of Official Records

The draft report references numerous instances of false information being submitted by Ms. Szoboszlay. It appears that purchasing card receipts for personal items were submitted as being for items purchased for the district; in fact, Ms. Szoboszlay reimbursed the district for a number of these charges. Certainly, with numerous cards in the hands of numerous employees, there will be mistakes, and reimbursement is an appropriate remedy for an honest error. However, in light of the number of errors in this department, the cavalier processes with which Food Services purchasing cards were handled, and the other issues surrounding Ms. Szoboszlay's fiscal dealings with the district, these purchases merit extra scrutiny.

The draft report indicates that there are conflicts between Ms. Szoboszlay's leave records and travel records. She requested payment for personal vehicle travel on days when she was either using a district car or was not present at work. Her telephone records indicate that numerous personal calls were made for which she either did not submit the required forms or submitted the forms with falsified information.

All of these actions support a reasonable belief that, again, there have been false statements in writing intended to mislead a public servant, in violation of Sec. 839.13, F.S. (discussed above). Additionally, Sec. 838.022 provides that it is a felony of the third degree for a public servant, with the corrupt intent to obtain a benefit, to falsify any official record; in my opinion, this section may have been violated one or more times by Ms. Szoboszlay.

e. Overall Scheme to Defraud

Aside from each individual allegation, the totality of the facts cited in the draft report leads me to question the applicability of Sec. 817.29, F.S. to these facts. This statute makes it a felony of the third degree to engage in "gross fraud or cheat at common law." While there is little case law interpreting this statute, it has been invoked where an individual has obtained money or

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goods with intent to cheat or defraud by false pretenses. *State v. Peterson*, 192 So.2d 293 (2d DCA 1966).

Additionally, a more commonly-used statute may be applicable to the facts cited in the draft report. The Racketeering Influenced and Corrupt Organization (RICO) Act is frequently relied upon where an individual uses the cover of a business enterprise to carry out a pattern of criminal activity. The prosecution of RICO charges is a highly technical area, and one in which I do not claim particular expertise.

However, the statute recognizes that RICO cases are often document-heavy, involving records which may not be readily available to law enforcement investigators. For that reason, the RICO Act grants state attorneys' offices the authority to issue investigative subpoenas.

In this case, there may indeed have been a violation of the RICO act by Ms. Szoboszlay. In addition, if private entities or individuals participated in a fraudulent scheme, RICO charges might lie against them. Bill Eddins, the First Circuit State Attorney, with his authority to obtain information via subpoena, is in a better position to investigate such charges than either the Sheriff's Office or the City Police Department.

It is my recommendation that a consultation with Mr. Eddins and his staff be scheduled and that their input be received regarding further investigation and prosecution in this matter.

2. OTHER PERSONNEL

Several statements in the draft report indicate possible violations of state law. Of particular concern are the allegations regarding personnel signing other employees' names to financial documents. Except for those discussed with regard to Ms. Szoboszlay above, these acts appear to have been in the nature of "time-savers," without any intent for personal benefit.

However, it is my recommendation that training regarding the legal pitfalls of signing, changing, and submitting official documents be undertaken with all deliberate speed. All personnel should know what acts are permissible, and they should feel free to protest when an improper act is suggested.

Please let me know if the discussion above raises any additional questions or concerns.

cc: Superintendent Thomas
David Bryant, Director of Internal Auditing



School Food Services

Office of Internal Auditing
August 2013

David J. Bryant, CPA, CIA, CFE, CGFM
Director – Internal Auditing

Audit Team:
Justin B. Cook, CFE
Senior Auditor (former)

Jeanne Pilgrim
Property Audit Specialist

Preface

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

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

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

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

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

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



Office of Internal Auditing
Escambia County School District
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Executive Summary

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

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

In an effort to complete the investigation and determine any opportunities for strengthening the District's processes, the Superintendent asked that we expand the scope of our yearly review to include procurement-related matters noted in the investigation. In reviewing the investigative files and conducting fieldwork, we noted numerous allegations/matters, both procurement and non-procurement related, which we felt professionally obligated to help resolve. We conducted interviews, gathered documentation, performed research, and conducted testing. The results of our fieldwork are documented in this report as follows:

CRE Procurement Review Instrument

We conducted interviews, examined documentation, and performed tests in order to complete the CRE Procurement Review Instrument. We noted the following:

- The Certificate of Independent Price Determination form is signed by the vendor only.

Follow-up Vendor Price Verification

We obtained copies of vendor price sheets, awarded bid specifications, and corresponding vendor invoices. We determined whether the District was charged appropriately. We noted the following:

- There were instances of no documentation of receipt of goods.
- There continue to be differences between vendor price sheets and vendor invoices.

Hiring of Food Services Director

We reviewed job description, application, interview, background, and public records documents related to the director position and the candidate hired by the District. We noted the following:

- There were inconsistencies related to experience and education in Ms. Szoboszlay's application documents.

- Ms. Szoboszlay did not meet the stated education requirements of the job description.
- Ms. Szoboszlay had been subject to numerous derogatory financial actions.
- Ms. Szoboszlay disclosed a prior arrest for theft.

Of greatest concern was Ms. Szoboszlay's position directly prior to joining the District. On her application she listed her current position as the Director of Pediatric Nutrition at a prominent medical facility in Texas. Other documents included in her application package suggest she was not an employee of the facility, but a volunteer.

Bidding Activity

Ms. Szoboszlay began systematically replacing smallwares and equipment throughout the District. Unfortunately this process was neither well-planned nor efficiently/properly executed. The poor planning and execution led to numerous policy/procedures violations.

Smallwares were ordered from a preferred vendor, KESCO, instead of vendors who had been awarded the business through a competitively bid RFP process. Despite being admonished by Purchasing, Ms. Szoboszlay continued to make smallwares purchases from KESCO. She justified her actions as emergencies and being necessary due to changing regulations and/or safety concerns. When a new smallwares RFP was developed and awarded based on lowest price, KESCO was only awarded 9.5% of items.

Food Services began replacing equipment in cafeterias, once again ordering numerous items from KESCO. Purchases were made outside established procurement procedures. Equipment was ordered without the issuance of an authorized purchase order. It became necessary for General Counsel to notify/remind KESCO of the established procurement procedures.

Given the volume of equipment purchased and to be purchased, Purchasing notified Food Services of the need to develop a RFP to receive competitive bids. The specifications developed by Food Services for the RFP were rejected by Purchasing at least three times. Prior to the RFP's issuance, KESCO conducted site visits and provided specifications which were incorporated into the RFP. We noted the following:

- Of the 39 items included in the RFP, the specifications indicated only 1 approved brand/model for 22 of the items. KESCO would later be awarded 16 of the 22 items (73%).
- During bid evaluations, all alternatives were rejected, regardless of price.
- Decisions were made during bid evaluations to group items into lots for award purposes. One such decision resulted in a \$900,000 award to KESCO.

- KESCO's bids included contingencies requiring all warranty service work to be performed by them.

After award, Purchasing became aware of many of the concerns noted above. In hindsight, they now feel the RFP was designed to give KESCO an unfair advantage, which led to KESCO being awarded a significant share of the business. In February 2013, Purchasing initiated discussions concerning potential debarment of KESCO. The RFP was eventually terminated by Board action in May 2013.

Improper installation of equipment by KESCO resulted in multiple gas leaks. The equipment failed the manufacturer's representative's start-up certification. KESCO eventually agreed to make required repairs, but Maintenance opted instead to make the repairs utilizing materials provided by KESCO.

Equipment Verification

At the request of Purchasing, we verified the existence and location of all equipment purchased from KESCO, and then compared and reconciled serial/model numbers on equipment to supporting invoices and District records. The results of our verification were as follows:

- 91 items were located without exception.
- 13 items were unable to be located.
- 70 items were located, but various serial number exceptions were noted.
- 7 previously unknown items were found.

Corrective actions, which included resolution of missing and additional items and securing of revised invoices, have been undertaken by Purchasing, Food Services, and Budgeting.

Smallwares and Equipment Disposal

Like the bidding process, the process for disposal of smallwares and equipment was neither well-planned nor efficiently/properly executed. Ms. Szoboszlay instructed personnel to throw smallwares into dumpsters instead of transferring the items to Surplus Operations for auction. Equipment, traditionally sold at auction, was crushed and taken to a metal scrapping facility, despite the objections of the Surplus Operations Manager. The District lost potential auction revenue because of Ms. Szoboszlay's decisions and mandates.

Purchasing Cards

Transactions

During Ms. Szoboszlay's tenure, Food Services maintained four purchasing cards with a total monthly spending limit of up to \$60,000. Despite attending mandatory training on purchasing card policies and procedures and each signing a cardholder agreement, Ms. Szoboszlay and her staff

violated many of these policies and procedures. These violations continued even after admonishment from Purchasing, the department administering the purchasing card program.

We noted the following violations and/or questionable transactions:

- Three purchases of capital equipment items totaling \$5,360
- Purchases of gift cards totaling \$1,825, which were given to staff as gifts
- Purchases of five personal GPS devices
- At least four instances of splitting purchases to avoid transaction limits
- Non-program food purchases (candy, nuts, snacks, etc.)
- Purchase of an animated DVD
- Purchase of a child's computer tablet
- Purchases of televisions at Thanksgiving, one of which is missing
- Purchases of personal gift items (candles, chillers, gift bags, tissue paper, etc.)
- Purchases of decorations totaling over \$10,000

Purchasing Card "Audits"

Accounting Operations staff conducts "audits" of all purchasing card transactions. The established "audit" steps, if performed properly, are designed to identify many of the exceptions noted above. The "audits" conducted were not effective for the following reasons:

- Timeliness – On average it took 6 months to review Food Services' purchasing card transactions, with some "audits" not being performed until 10 months after the purchase.
- Thoroughness – The "Problems" sections of the "audit" worksheets, where issues and their resolutions are noted, were blank 73% of the time. When the section was utilized, in most instances it appears it was only to list transactions to ensure a receipt had been included. No details were provided.
- Scrutiny – No additional scrutiny is placed on transactions that occurred during non-business hours, such as at night or on holidays. This is standard practice for effectively-trained purchasing card auditors.

Other Purchasing Card Concerns

We also noted several other issues, such as sales tax discrepancies, payment of fuel surcharges, and office supplies purchases at retail stores.

Many purchases were made from KESCO. Review of these purchases, and discussions with Purchasing and current Food Services personnel indicated additional concerns. For instance, KESCO would charge the District at the time of the order even though items were on backorder.

The current Food Services Director indicated that on at least one occasion, Ms. Szoboszlay wanted to purchase items from KESCO that were awarded to another vendor. It appears KESCO delivered the non-awarded items, but invoiced the District for awarded items totaling approximately the same amount.

It was standard practice in Food Services for cardholders to use each other's cards. This practice was done as a matter of convenience and purposely when one card was approaching its transactional or monthly limit. We noted instances where at least one Food Services employee forged the signature of another employee when using her card.

Food Services Rewards Programs

Food Services participates in at least two vendor reward programs. By submitting purchasing information for purchases made from select vendors, points are earned, which can be redeemed for a wide variety of personal items. A former Food Services employee used these programs to benefit personally.

Ms. Szoboszlay utilized these programs on at least one occasion. The personal items received were raffled to Food Services personnel during meetings. Operations has since established a SOP for the handling of these programs.

Vendor Solicitation

Ms. Szoboszlay solicited vendors to help supply food for meetings, to support disaster victims, and to assist in repaying the District for her purchase of gift cards. One check received was returned to the vendor. KESCO provided a \$200 gift card for disaster relief. The District was not participating in a District-wide effort for this cause. The ultimate disposition of the card is unknown.

Other Matters

Employee Leave

Ms. Szoboszlay notified staff on at least 16 different days that she would not be present at work because she sick, was attending to family matters, or was/would be out of town. She failed to submit leave for these 16 days, resulting in an overpayment of \$5,906 in gross wages. This amount is net of all previous amounts repaid by Ms. Szoboszlay.

On three of the 16 days noted above, Ms. Szoboszlay notified staff that she would be attending a two-day conference in Texas, which was purportedly being paid for by her previous employer. Records indicated that she was actually interviewing with her current employer during that time.

Travel Reimbursements

Over a 4-month period, Ms. Szoboszlay submitted claims for mileage reimbursement. She received a total of \$1,241.11 for her claims. We compared her attendance records to travel records and noted numerous discrepancies.

On 10 of the 16 days noted above, including days she was in Texas interviewing with her current employer, she submitted reimbursement claims for travel between different District sites. Total reimbursement for those days was \$219.39. We also noted discrepancies from duplicate reporting of days. Total reimbursement for those days was \$38.05. In addition, she requested mileage reimbursement on 10 other days which she was assigned and drove a District vehicle. Vehicle logs completed by Ms. Szoboszlay show she was using the District vehicle for travel on those days. Total reimbursement for those days was \$188.68.

Personal Use of District Cell Phone

A review of Ms. Szoboszlay's cell phone records indicated she exceeded the allowable personal minutes four of eight months she possessed a phone. She completed paperwork attesting she had not exceeded the allowable amount for two of these months. She failed to complete the paperwork for the other two months.

Overall Comments

Although this report focuses primarily on Food Services procurement, the objectives and scope were influenced by DOE /DOA, the Superintendent's requests, allegations made during the investigation, and matters that arose during fieldwork. We do recognize the District has a wide variety of established internal controls which aided District leadership in identifying some of the matters discussed in the report. In addition, we acknowledge the difficulty of maintaining controls when an employee fails to utilize available resources or blatantly disregards controls.

Although we have reviewed the previous District investigator's interview with Ms. Szoboszlay's, we have not interviewed or had any dialogue with her. Her input could provide insight into many of the concerns contained in this report.

As further discussed throughout the report and in our recommendations, we feel there are opportunities to communicate/provide additional training on current controls, strengthen current controls, and develop additional controls. The District has already begun taking action on many of the recommendations.

This report includes recommendations. The Executive Summary is intended to highlight the various aspects of the report. The full report should be read to understand the basis of our recommendations.

Background

The District serves over 34,000 meals daily.

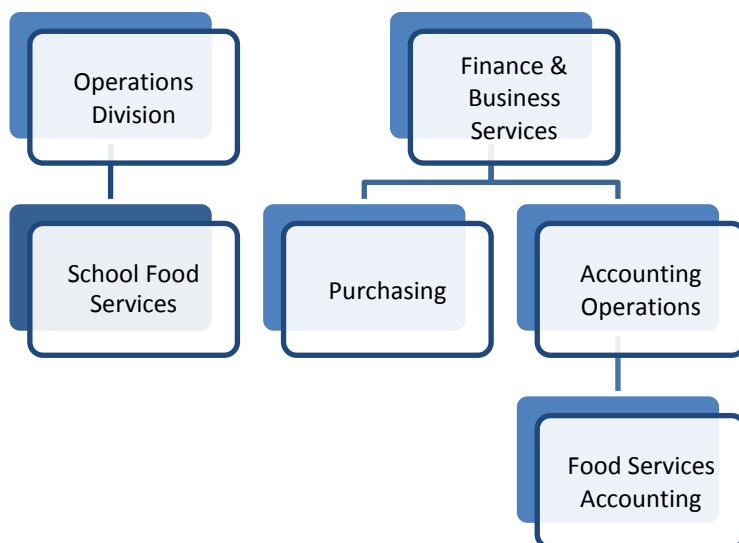
The Food Services budget is \$19.9 million.

The National School Lunch and Breakfast Programs (NSLP) are federally assisted meal programs administered through the Federal Food and Nutrition Services agency of the USDA. At the State level, the programs are administered jointly by the Florida Departments of Education (DOE) and Agriculture (DOA). The Escambia County School District's school meals program is operated by the School Food Services Department (Food Services).

According to Food Services Accounting, the District presently serves lunch at 57 and breakfast at 51 District or charter school sites. Of the 34,004 meals/equivalents served daily, 24,132 are reimbursable lunches and 5,993 are reimbursable breakfast equivalents (which represents 11,986 breakfast meals served). The 2013-2014 fiscal year annual Food Services budget is \$19.9 million; expenditures without encumbrance carryovers. The prior year's annual School Food Services budget was \$20 million.

Three major departments participate in the District's school meals program. Food Services determines food needs. Purchasing & Business Services (Purchasing) oversees the RFP/bid process, approves requisitions for purchase orders, and maintains documentation for deliveries made to the District's Warehouse. Food Services Accounting maintains documentation for deliveries made directly to the schools, processes vendor disbursements, gathers financial and production information from schools, and maintains and provides financial information.

The organizational structure of these departments is as follows:



The next DOE/DOA audit occurs this year.

Governing Agencies and Rules/Regulations

The NSLP is governed by Code of Federal Regulations 7 CFR Parts 210 and 3016, and is overseen by the Florida Department of Education (DOE) and the Florida Department of Agriculture and Consumer Services (DOA).

To ensure compliance, the program is subject to various audits by both DOE and DOA. A Coordinated Review Effort (CRE) is conducted by DOE/DOA on a rotational basis (approximately every 5 years). The last audit performed by the DOE/DOA was in 2008. The next CRE is scheduled for the current 2013-14 school year.

Guidelines issued by the DOE/DOA require an independent review of the District's food service procurement process to be conducted at least once per year by a person not directly involved in the food service function. This review has traditionally been performed by the Office of Internal Auditing and has been limited in scope to those specific procedures outlined in DOE/DOA Procurement Review Instrument.

Net Cash Resources

7 CFR 210 requires that school food authorities limit near cash resources to an amount that does not exceed 3 months of average expenditures. For the last four fiscal years, DOA determined Food Services had net cash resources in excess of allowable limits. Each year, the District has submitted an action plan to reduce net cash resources.

Food Services has excess net cash resources of \$2.04 million.

On January 9, 2013, DOA once again notified the District that Food Services had excess cash resources for the 2011-2012 fiscal year totaling \$2,042,918. If the District fails to reduce net cash resources, DOA may require the District to lower lunch prices, improve food quality, and/or take other actions to improve food service activities. On April 10, 2013, the current Food Services Director submitted the District's action plan for reducing net cash resources.

New Rules/Guidance

On January 26, 2012, USDA announced the first major rule changes to school meals in 15 years. The changes became effective on July 1, 2012. The most significant rule change related to new meal patterns. Menus have traditionally been allowed to be based on the type of food offered (food-based) or on meeting established nutrient standards (nutrient-based). The USDA mandated menu planning now be solely food-based.

New meal patterns went into effect on July 1, 2012.

What were once recommendations for meal patterns now take the form of requirements. A summary of the changes is as follows:

- Separation of the fruits and vegetables category, along with increased serving amounts and type requirements
- Offering of meat alternatives, and required weekly amounts
- Whole-grains required to make up half of all grains (increases to 100% in 2014-2015), along with required weekly amounts

- Only fat-free (unflavored/flavored) or 1% low fat (unflavored) milk can be offered

In addition to meal pattern changes, USDA revised nutrient standards to: reduce sodium intake to decreasing levels over the next 10 years, provide for ranges of calories offered by grade levels, and completely eliminate trans fats.

Previous USDA nutrient standards recommended total fat, based on weekly averages, not exceed 30% of total calories. According to the District's latest School Meals Initiative (SMI) conducted by DOE, the District averaged 31.16% total fat for breakfast programs and between 31.80% and 32.71% for lunch programs.

New rules do not limit fat or prohibit frying foods.

The new rule does not limit total fat, nor prohibit frying food. As stated in the final USDA rule: "This rule does not require schools to meet a total fat standard under current regulations. The IOM [Institute of Medicine] report did not recommend that USDA require a total fat standard for school meals. The expectation is that the new meal requirements, including the dietary specifications for calories, saturated fat and trans fat, will enable schools to offer meals that are low in total fat." Many of the changes initiated by Food Service during 2012-2013 appear to have been related to reducing fat content.

Personnel

Ms. Szoboszlay was hired July 2, 2012.

On February 29, 2012, the previous Food Services Director retired. While the Director position was vacant, the Supervisory Dietitian, who had served in her role for approximately 6 years, performed the necessary administrative duties. She was assisted by the retired Food Services Director, who was employed through Landrum Staffing Services. On July 2, 2012, a new Director, Ms. Gail Szoboszlay, started with the District. Ms. Szoboszlay came from Texas, and appeared to possess significant experience in school food services and pediatric nutrition. Once a new director was hired, the Supervisory Dietitian resumed her normal duties.

A formal investigation into allegations was initiated in January 2013.

During the 2012-2013 year, the District expressed concerns with known issues and practices related to Food Services' procurement. A formal investigation into allegations of misconduct by the Food Services Director, Ms. Gail Szoboszlay, was initiated by the District Investigator in January 2013. On February 4, 2013, Ms. Szoboszlay began a period of extended personal absences, which ended with her email notification to the Human Resources Services Department (Human Resources) on March 1, 2013, of her resignation; retroactive to February 25, 2013. It does not appear a formal resignation letter was ever received.

Ms. Szoboszlay resigned on March 1, 2013.

Additional research would indicate she had accepted a food service position with Texas State University; effective February 22, 2013.

The Investigator left the District in April 2013. The Food Services investigation was not complete.

According to University records, Ms. Szoboszlay had been involved in the hiring process with Texas State University beginning in October 2012, just 3 months after joining the District. In April 2013, the District Investigator accepted another position and left the District prior to the completion of the formal investigation.

The scope of our traditional review has been expanded.

Given the District's concerns and the fact the District's investigation was not complete when the Investigator left the District, the scope of this review has been expanded to an audit. The expanded scope included various other aspects of food service procurement, including deviations of established law, policies, and/or procedures related to: bid practices, purchasing processes, purchasing card transactions, installation of equipment, disposal of surplus equipment/supplies, use of position for personal gain, and solicitation of vendors. In addition to procurement-related matters, other concerns related to employee conduct and/or human resources issues, some of which were part of the investigation, are addressed in this report.

Objective

The objectives of this audit were to review procurement practices of Food Services, complete the Coordinated Review Effort (CRE) Procurement Review Instrument, follow-up on prior year's audit finding(s)/comments, resolve matters included in the District's incomplete investigation of the previous director, and address matters that arose during fieldwork.

These objectives can be further refined into: 1) examining the hiring of the previous director, 2) reviewing various bid activity, 3) verifying equipment purchases, 4) reviewing equipment disposal activities, 5) analyzing purchasing card transactions, 6) reviewing vendor rewards programs, 7) determining the extent of vendor solicitation, and 8) identifying other matters which may be potential criminal and/or Code of Ethics violations, or offer opportunities for strengthening District processes and/or controls.

Scope

In addition to reviewing numerous laws, policies, rules, processes and procedures from Federal, State, and District sources, the scope of this audit includes a wide variety of material from various departments throughout the District. The scope includes:

- Food Services Director's hiring documents from Human Resources
- RFP/bid documents from Purchasing, specifically:
 - RFP #131003 – Cafeteria Equipment
 - RFP #123003 – Smallwares for School Cafeterias

- RFP #130903 – Smallwares for School Cafeterias
- General food products bids – judgmentally selected
- “Direct deliveries” bids – judgmentally selected
- “District Warehouse” bids – judgmentally selected
- Cafeteria equipment purchase records from July 1, 2012 through February 28, 2013
- District property inventory records for Food Services
- 2012-2013 purchasing card records from Accounting Operations, Food Services, and Purchasing, including:
 - Monthly signature reports
 - Monthly credit card bank statements
 - Individual transaction receipts/invoices
 - Narrative detail entered into Resolve software system
 - Monthly audit reports of transactions
 - Training records
 - Cardholder agreement forms
- Vendor rewards program information and invoices
- Other documents from July 1, 2012 through March 31, 2013, including:
 - Investigation interview transcripts, files, and records
 - Email correspondence
 - Telephone records
 - Leave records/documents
 - Travel records
 - Vendor invoices
 - Vendor price sheets
 - School menus

Methodology

We received the files related to the investigation of the former Food Services Director. Copies were made of all documents, including interview transcripts. All information was reviewed to determine the scope and extent of allegations.

We conducted interviews with a wide variety of District personnel, including Purchasing, Food Services, Accounting Operations, Food Services Accounting, Human Resources, and Operations employees.

We obtained copies of and reviewed:

- School Board Policies
- Federal regulations related to the National School Lunch Program
- National and state guidance on food service programs
- Prior Food Services audits
- The Travel & District Purchasing Card Manual

- The Employee Code of Ethics
- Purchasing’s “Doing Business with Escambia County Schools”
- DOE/DOA’s Prototype Procurement Policy Statement
- The CRE Procurement Review Instrument
- Purchasing card audit best practices

With regards to our specific objectives, we performed the following activities:

CRE Procurement Review Instrument

We conducted interviews, examined documentation, and performed tests in order to complete the CRE Procurement Review Instrument.

Follow-up Vendor Price Verification

We obtained copies of vendor price sheets, awarded bid specifications, and corresponding vendor invoices to determine if the District was charged appropriately.

Hiring of Former Food Services Director

We obtained copies of Ms. Szoboszlay’s application documents, including her internet application, resumé, cover letter, transcripts, and letters of recommendation. We also secured copies of her background check and interview records, including her appointment recommendation memorandum. In addition to District records, we also secured public records related to various personal financial matters involving Ms. Szoboszlay.

In an effort to document any discrepancies and determine if any financial “red flags” existed, we compared and reconciled information provided in Ms. Szoboszlay’s application documents. We also reviewed the background check results, interview documents, and public records.

Bid Activity

We obtained copies of various request for proposal (RFP) documents, including USDA Certificate of Independent Price Determination forms, Debarment and Suspension forms, specifications, bid tabulations, and awards. In an effort to provide recommendations related to bidding, we reviewed the processes used to develop specifications for RFPs and make awards to bidders. We examined how recent RFPs were developed and managed compared to established School Board policies and Purchasing guidelines. In addition, we conducted interviews, reviewed documents, and conducted research to determine if any one vendor had been given preferential treatment.

Equipment Verification

We secured copies of purchase orders, invoices, property acquisition documents, and District inventory records. We compared equipment

ordered per supporting documentation to actual equipment on location at school sites. This process included reconciliation of product characteristics, including color, model, and serial number.

Equipment Disposal

We obtained copies of District inventory and auction records. In addition, we conducted interviews with Surplus Operations personnel regarding the disposal of cafeteria equipment and smallwares. We conducted interviews, reviewed documents, and conducted research to determine if School Board policies and the Operations Division's standard operating procedures (SOPs) were followed.

Purchasing Card Transactions

We obtained copies of all transactions, with supporting documentation, for all purchasing card users in Food Services. We secured copies of cardholder agreements and purchasing card training records. We gathered Accounting Operations' audit worksheets from their monthly "audits" of purchasing card transactions.

We determined whether each cardholder had attended training and acknowledged adherence to purchasing card policies by completing a cardholder agreement form. We tested each purchasing card transaction for compliance with District policies and rules. We determined the sufficiency of documentation provided to support purchases. Finally, we determined the effectiveness of the "audits" performed by Accounting Operations personnel.

Vendor Reward Programs

We gathered information regarding vendor reward programs in which Food Services participates. We researched applicable rules and/or SOPs related to these programs. We determined if participation in these programs conflicted with District policies, including the Code of Ethics.

Vendor Solicitation

We conducted interviews and examined documentation to determine the extent to which vendor solicitation occurred related to Food Services, and if these activities violated Purchasing policies and/or the Code of Ethics.

Other Matters

To determine if District policies were followed, we conducted interviews and gathered information related to leave, District telephone use, and travel by the former Food Services Director. In addition, we addressed accusations of interfering with witnesses during the investigation.

Conclusions/Results

CRE Procurement Review Instrument

Review area #3110 of the CRE Procurement Review Instrument questions whether the Certificate of Independent Price Determination form is signed and dated by both the Sponsor and vendor. Currently only the vendor signs the Certificate of Independent Price Determination forms.

We would traditionally provide a comment recommending Purchasing personnel sign the form, as it is a DOE/DOA requirement; however, we agree with Purchasing's hesitation in signing the form, which attests that all District "officers, employees, or agents have not taken any action, which may have jeopardized the independence of the vendor's offer." As such, we only document that the form is not signed.

Follow-up of Vendor Price Verification

We obtained copies of vendor price sheets, awarded bid specifications, and corresponding vendor invoices. We determined whether the District was charged appropriately. We noted the following:

- Documentation of receipt of goods was either missing or incomplete for 12 of 41 invoices tested.
- There continue to be differences between vendor price sheets and vendor invoices. 4 of 41 invoices tested indicated the District was charged a different amount than what appeared on the invoice. These differences were immaterial. As noted in previous Food Services reviews, the District has accepted the risks and ramifications associated with discrepancies between vendor price sheets and invoices.

Hiring of Gail Szoboszlay

Interview Process

The Food Service Director position was advertised on the District's website, in the Pensacola News Journal, and on CareerBuilder.com. Ms. Szoboszlay was one of seven applicants interviewed for the position. She was interviewed via telephone on May 16, 2012. The interview committee consisted of the Assistant Superintendent of Operations, the Assistant Superintendent of Finance and Business Affairs, the Director of High School Education, the Manager of Inventory and Warehouse Operations, a former Food Services director, a school principal, and a Food Services area manager.

Ms. Szoboszlay was the top choice of the interview committee.

According to the interview score sheet, Ms. Szoboszlay was the top choice of the interview committee, with six of the seven committee members ranking her in the number one position. The Assistant Superintendent of Operations submitted a memorandum to the Superintendent with the committee's recommendation to appoint Ms. Szoboszlay, and place her at pay grade 6, step 0. The Assistant Superintendent personally asked the

The Superintendent conducted second interviews with the top two candidates.

The Director job description requires a Bachelor's, Master's, and 5 years of experience.

Ms. Szoboszlay possesses a BSBA.

The "Masters' "listed on Ms.

Superintendent for step advancement due to her "extensive experience."

The Superintendent conducted second interviews in-person with the top two candidates. After these interviews, he approved the recommendation of Ms. Szoboszlay, with placement at pay grade 6, step 4; the highest step allowable without notifying the Board. The District does not have School Board Policy or an established rule/procedure which determines where on the salary schedule an incoming employee is placed.

Job Qualifications

The job description for the Director II – School Food Services lists the following qualifications:

- A Bachelor's Degree from an accredited educational institution in Hotel, Restaurant, Institutional Management, Hospitality Management, or related field, with six (6) semester hours in food and nutrition and nine (9) semester hours in three (3) of the seven (7) specific areas of institution administration.
- A Master's Degree from an accredited educational institution in Business Administration, Institutional Food Service Management, or related field.
- Certification in Food Services Management.
- Internship approved by the American Dietetic Association, or five (5) years school food services experience.

As is customary, the job description also indicated that qualifications could vary to such a degree as the Superintendent and Board determine is necessary and appropriate to ensure properly qualified personnel.

Education

According to Ms. Szoboszlay's application documents, she earned an Associate in Occupations Studies (AOS) in Culinary Arts from the Culinary Institute of America (CIA); an institution accredited by the Middle States Commission on Higher Education. Ms. Szoboszlay earned a Bachelor's Degree in Business Administration from the State College of New York (SUNY). Ms. Szoboszlay earned high marks at both CIA and SUNY, with G.P.A.'s of 3.12 and 3.70 respectively.

Ms. Szoboszlay's resumé also indicated she earned a "Certified Dietary Manager Degree" and "Certified Food Protection Professional" from Harrisburg Area Community College. It is unclear if these designations represent actual degrees or educational/industry certifications, as transcripts for this institution were not included in her application documents.

Ms. Szoboszlay's resumé also lists "Master in Advanced Culinary Italian", "Master in Advanced Culinary French", and "Master in Food Service Sanitation" from the Culinary Institute of America. These designations

Szoboszlay's resumé were not Master's degrees.

Ms. Szoboszlay does not possess a Master's degree.

should not be confused as Master's Degrees; but appear to be vocational certificates earned through training and/or testing. These designations were listed in the Certification section, not the Education section, of her application. There are no indications that Ms. Szoboszlay possessed a Master's Degree, as required by the job description.

It is not known if the uncertainties surrounding degrees versus certifications and/or "Master" terminology used on Ms. Szoboszlay's resumé factored into determining her qualifications for interview, employment offer and/or compensation level.

Experience

Ms. Szoboszlay's resumé states she possesses "16 years of administering the school food service programs in several multiple-site districts." Per her resumé, her specific experience is as follows:

- 07/1992 – 06/1995
Executive Chef/Director – The Wood Company
"Designed full menu programs for the café and catering programs"
The Wood Company is a subsidiary of Sodexo, Inc. Although she listed several clients, no school district or school-related clients were listed.
- 06/1995 – 06/1998
Food Service Director – Halifax Area School District, Pennsylvania
"Responsible for the overall food service program"
The Halifax Area School District currently consists of four (4) total schools, serving approximately 1,250 children.
- 06/1998 – 02/2005
School Food Service Consultant (Owner) – An Elegant Edge
"Assisted school districts with redesigned and developing food programs"
No clients were listed and no detailed information could be found on the business. On her application, Ms. Szoboszlay listed her husband as her supervisor. Although no other information was found to doubt the legitimacy of this experience, personally-owned consulting business experience must always be scrutinized as it is often used to fill gaps in experience on a resumé, especially when it appears early in one's career.
- 07/2005 – 06/2007
School Food Service Director – Sodexo, Inc.
Numerous school food service director duties were listed. It appears she served as a director for a single district. As the district was not listed, we were unable to determine the extent or magnitude of this experience.

- 06/2007 – 09/2011
Regional Director – Sodexo, Inc.
Numerous school food service director duties were listed. Although many of the listed duties appear to focus on a single district, the position title implies oversight of multiple districts. In addition, her cover letter stated she had “worked as a Regional Director” overseeing as many as 10 districts at any one time. As the districts were not listed, we were unable to determine the extent or magnitude of this experience.

There were inconsistencies in Ms. Szoboszlay’s application documents.

Inconsistencies

We noted inconsistencies in Ms. Szoboszlay’s application documents. First, on her application she indicated that she had worked for Sodexo from July 2003 to August 2011. According to her resumé, she began working for Sodexo in July 2005, not 2003; a 2 year discrepancy.

In addition, she indicated on her resumé that she worked for her personally-owned food service consulting business through February 2005, but according to her application she worked through June of 2005. Also, her resumé indicated she worked for Sodexo through September 2011, but her application indicates she only worked through August 2011.

Ms. Szoboszlay listed her current position as Director of Pediatric Nutrition at the FDA Pediatric Oncology Center at MD Anderson Cancer Center in Houston.

Finally, of greatest concern, is her “position” directly prior to joining the District. On her application she listed her current position as Director of Pediatric Nutrition at FDA Pediatric Oncology Center at the MD Anderson Cancer Center in Houston, Texas; however, it is unclear if she was actually employed by the agency.

It appears Ms. Szoboszlay was not an employee, but a volunteer.

According to her cover letter dated April 30, 2012, she stated “I have spent the last two years volunteering my time to the FDA Pediatric Oncology Nutrition Alliance at MD Anderson Children’s Hospital.” In addition, the Director of FDA Pediatric Oncology at the MD Anderson Cancer Center provided a recommendation letter which stated, “She [Ms. Szoboszlay] has dedicated her time...as a volunteer nutritional advisor.”

The overlapping employment dates and inconsistencies between documents she provided further call into question the legitimacy of the experience indicated. It does not appear the discrepancies in Ms. Szoboszlay’s employment experience were resolved. It is unclear if they factored into determining her qualifications for interview, employment offer, and/or compensation level.

Ms. Szoboszlay disclosed a prior arrest for theft.

Ms. Szoboszlay’s employment application indicated she self-disclosed a non-disqualifying offense related to a prior arrest for theft. Current District pre-employment screening is limited to criminal offenses, certain matters related to teaching certificates, and drug urinalysis. No screening is conducted related to financial matters and/or condition.

The District does not conduct financial screening of applicants.

Public records suggest a pattern of financial instability.

Additional public records research indicated that Ms. Szoboszlay had been subject to numerous recent and ongoing derogatory financial actions, including: four federal tax liens, a vendor's lien for unpaid credit card charges and/or dues, and a default judgment in favor of Capital One Bank (USA), N.A. These matters appear to suggest a pattern of financial instability. Additional pre-employment screening procedures may have revealed these actions, and perhaps factored into the decision to hire Ms. Szoboszlay and give her oversight of a \$20+ million budget.

Ms. Szoboszlay did not effectively engage her mentor.

According to District records, Ms. Szoboszlay's official start date was July 2, 2012. As is standard practice in the Operations Division, Ms. Szoboszlay was assigned a peer mentor. The Assistant Superintendent considers the nature, size, complexity, and number of employees in an area when assigning mentors to new administrators.

In Ms. Szoboszlay's case, she was assigned the Director of Transportation as her mentor. Discussions with the Assistant Superintendent of Operations and review of Ms. Szoboszlay's email appear to suggest that she did not fully engage and utilize this resource.

When interviewed, the Assistant Superintendent of Operations shared his management philosophy. He provides a framework in which his personnel must operate, but gives them leeway to make decisions as they see fit in most situations. He recognizes that as the leader of eight (8) departments, he cannot be knowledgeable of the intricate aspects of each department. He instead defers to the judgment of what he refers to as the "cognizant experts," which are traditionally the department directors.

Food Services purchased smallwares from KESCO instead of the smallwares RFP winner.

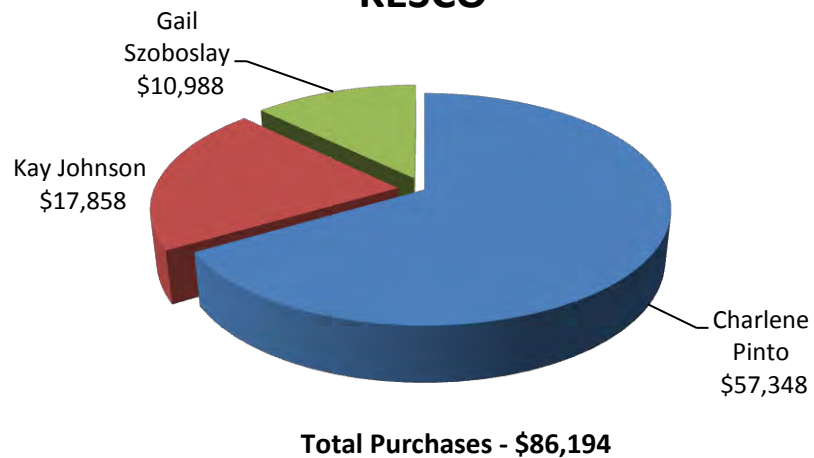
Bid Activity

KESCO Smallware Purchases

On June 26, 2012, the School Board awarded a request for proposal (RFP) to Calico Industries for 59 various smallwares items, including gloves, thermometers, spoodles, etc. KESCO did not submit a bid for this RFP. Beginning in July 2012, we noted a significant amount of smallwares purchased from KESCO.

There were a total of 54 orders, totaling \$86,194 placed on purchasing cards assigned to Food Services personnel. The smallwares purchases made via purchasing cards were as follows:

Smallwares Purchases from KESCO



Many of the items purchased under these orders were for the exact items included on the RFP awarded to Calico, or for similar items, including gloves, thermometers, pans, and spoodles.

Purchasing notified Ms. Szoboslay to honor the RFP.

On August 7, 2012, Purchasing personnel, after being made aware that awarded items were being ordered from a vendor other than the RFP winner, notified Ms. Szoboslay that she was violating District policy. As of that date, only 4 of the 54 orders noted above had occurred. Ms. Szoboslay responded that the purchases were the result of staff errors and/or requirements under federal standards and/or need due to dangerous outdated equipment. The Director of Purchasing emailed Ms. Szoboslay and stated, "In light of several recent situations I think we need to meet to review the rules/laws under which we/you operate."

Ms. Szoboslay continued to order smallwares from KESCO.

On Friday, August 17, 2012, the Supervisory Dietitian emailed Ms. Szoboslay and stated, "The sheet pan, 1/2, 1/6 and full size plastic pans and lids are all on the current smallwares awarded to Calico. I have placed a copy on your desk." Ms. Szoboslay responded, "Thanks. We will get a bunch ordered."

On the following Monday, August 20, 2012, Ms. Szoboslay received an email from KESCO regarding ordering various smallware items, including pans. Ms. Szoboslay responded to the email stating, "**The pan racks might get me in trouble. I have to figure out a way to do a purchase order.**" This statement appears to imply an awareness of wrongdoing, and exhibit an attitude of asking for forgiveness instead of permission.

Purchasing met with Ms. Szoboslay, along with Operations and Finance

On August 24, 2012, after being made aware of additional orders being made from KESCO, Purchasing personnel held a meeting with Ms. Szoboslay, the Assistant Superintendent of Operations, and the Assistant

leadership, concerning continued violations.

Superintendent of Finance to discuss the ongoing violations of District policy. As of that date, 10 additional orders had been placed with KESCO. Once again Ms. Szoboszlay offered justifications for the orders, but committed to adhering to District policy from that point forward.

Ms. Szoboszlay placed 40 more orders after being admonished twice.

It appears Ms. Szoboszlay was not committed to following District policy with regards to these purchases. We noted 40 orders for smallware were placed with KESCO after the August 24, 2012 meeting date.

It appears Ms. Szoboszlay preferred utilizing KESCO for most purchases. It appears she justified continuing to use KESCO by ordering items slightly different than those included on the smallware bid. It is unclear if the needs of the cafeterias changed or if an attempt was being made to justify purchasing items from KESCO.

Purchasing required a new RFP for smallwares.

As a significant number of items were being ordered, Purchasing personnel advised Food Services of the need to develop a new smallware bid. On October 9, 2012 another RFP for various smallware items was issued by Purchasing.

KESCO was the lowest bidder on only 9.5% of the items.

The RFP requested proposals for a total of 119 various smallware items, of which 105 were successfully awarded to the lowest bidders. KESCO provided a bid for 61 of the 105 items awarded. Of the 105 items awarded, KESCO was awarded only 10 (9.5%) of the items. KESCO appeared to be the vendor of choice for smallware purchases prior to the RFP, presumably due to their being a local vendor able to meet immediate demands. The results of the RFP appear to indicate that KESCO was not the lowest cost provider available to the District.

Food Services began ordering equipment from KESCO.

Equipment Purchases

Beginning in mid-August 2012, Food Services began purchasing a significant amount of equipment from KESCO. As the number and amount of purchases increased, Purchasing staff notified Food Services of the need to develop a RFP for a wide variety of cafeteria equipment. Prior to the award of the RFP, a substantial amount of equipment was purchased from KESCO. These purchases were made both through the traditional purchase order process and through purchasing card transactions.

Purchases were made without an authorized purchase order.

Prior to the issuance of the RFP, we noted 14 pieces of equipment, totaling \$32,006, were purchased through purchase orders. We did note four purchases that were made without a properly issued purchase order.

Purchasing reminded Ms. Szoboszlay of the purchase order requirement.

Although regularly cautioned by Purchasing personnel about various violations of District purchasing guidelines, Ms. Szoboszlay consistently justified the deviations by stating that items were purchased either because of staff errors or were necessary because of emergency situations, safety concerns, health violations, or new national and/or state mandates.

General Counsel notified KESCO to cease work unless it received an authorized purchase order.

It does not appear KESCO delivered equipment to schools without an order being placed by Ms. Szoboszlay or other Food Services personnel; however, the vendor is still obliged to comply with District procurement policies, even if Ms. Szoboszlay chose not to follow the policies.

Purchasing required Food Services to develop a cafeteria equipment RFP.

As the situation continued to deteriorate, Purchasing began discussing options, including the potential debarment of KESCO. At the request of Purchasing, the School Board General Counsel sent correspondence to KESCO on September 21, 2012 restating, "work performed by your company for the Escambia County School District should be pursuant to an appropriate purchase order...any future instances of unauthorized work will result in debarment for a period of two (2) years."

Cafeteria Equipment RFP

As it became apparent Ms. Szoboszlay wished to replace a significant amount of equipment and individual purchases began to mount, Purchasing personnel notified Food Services of the need to stop making individual purchases and develop a RFP for various cafeteria equipment. Significant savings can result from bidding versus making piecemeal individual purchases.

RFP specifications were returned to Food Services multiple times.

With the assistance of Purchasing, Food Services personnel began to gather specifications for the new equipment needed, which ranged widely from ovens to coolers to shelving to utility carts. Although Food Services bears responsibility for producing specifications, Purchasing personnel often review the specifications for completeness, and to a limited extent accuracy, based on knowledge of purchasing standards and previous RFP/bid experience. It appears the specifications were remitted to Purchasing multiple times, but were returned to Food Services at least three times because of various issues/concerns.

KESCO sent Ms. Szoboszlay equipment specifications to include in the RFP.

School Board Rule 5.02(2) requires departments seeking bids to propose standards and specifications before making purchases, and to ensure that items ordered conform to those standards. All bid quantities and specifications are to be developed by the requesting department and transmitted to Purchasing in writing.

Based on previous experiences with DOE/DOA auditors, purchasing agents strongly advise departments against using a single vendor's specifications to develop District specifications for RFPs, as this could give that vendor an unfair advantage and could be seen as designing the RFP to result in an award to that vendor. In reviewing Ms. Szoboszlay's email, we noted that KESCO sent her a variety of specifications for items included in the RFP.

Although not mandated by District policy, it is a standard practice for purchasing agents to ask submitting departments to provide copies of specifications to other departments, such as Maintenance or Facilities, prior

39 equipment-type items were included on the RFP.

to final submission to Purchasing. This practice is considered critical for equipment purchases for which District personnel may need to install and/or service in the future. When asked if this process had been done, Ms. Szoboszlay assured Purchasing personnel it had.

The RFP specifications include “approved” brands/models.

After multiple revisions, the specifications were accepted by the Purchasing Department. A total of 39 items were included in the request for proposal (RFP). The RFP was posted on October 9, 2012. It was posted on the District’s website and placed with four electronic bid distribution services. In addition, previous cafeteria equipment bidders were contacted and encouraged to review the RFP on the District’s website. The RFP can be found at:

http://old.escambia.k12.fl.us/adminoff/finance/purchasing/bids/2013/Bid_131003.pdf.

Only 1 brand/model was “approved” for 22 of the 39 items.

A typical RFP includes a description of each item, along with “approved brands.” An approved brand/model is used to reflect the kind and type of quality in materials and workmanship, and the corresponding level of performance the District expects to receive as a minimum. Bidders are free to offer equivalents or superior products, but are required to submit additional information, such as samples and/or technical specifications. The District reserves the right to determine the acceptability of any alternatives offered.

Ms. Szoboszlay interacted with vendors while the RFP was open.

Of the 39 items included in the RFP, only 1 approved brand/model was listed for 22 of the items. The other 17 items break down as follows: 3 approved brands/models listed for 5 items, 2 approved brands/models listed for 10 items, and 0 approved brand/models listed for 2 items.

A review of Ms. Szoboszlay’s email indicated that several vendors contacted her after the RFP had been issued. The RFP clearly states all questions are to be directed to the purchasing agent overseeing the RFP. This policy ensures an unfair advantage is not given to any one bidder. It appears Ms. Szoboszlay did answer several bidders’ questions while the RFP was open. At some point she may have been made aware of the no-communication policy, as she began to direct vendors’ questions to the Purchasing Department.

We did not note specific emails from KESCO representatives regarding questions about the RFP specifics. As it appears KESCO representatives were given access to school facilities prior to the RFP’s issuance, and provided specifications for equipment to be included in the RFP, it would seem reasonable that KESCO would not have questions once the RFP was posted. We did note 14 phone calls to/from KESCO representatives appearing on Ms. Szoboszlay’s cell phone records during the time the RFP was open; however, it is unknown if these calls related to the RFP.

16 companies responded to the RFP.

Sixteen (16) companies responded to the RFP. The sealed proposals were received by the administrative assistant in Purchasing, and placed in a locked safe as received. On October 22, 2012, the proposals were retrieved from the safe and opened in the presence of three purchasing agents, as is standard practice. Fifteen of the sixteen proposals were deemed acceptable. One proposal was rejected because the company failed to return all pages of their RFP, a requirement clearly stated in bold on page one of the RFP, directly above the company's authorized signature. The proposals were tallied by the purchasing agent on October 23, 2012.

KESCO's bid included contingencies.

KESCO's proposal included an attached memorandum for each item. The memo stated, "It is the intention of KESCO-Florida to offer item # [item number inserted] on the referenced RFP, at the following prices noted at that item, to include the following services under guidelines set forth by the Escambia County School District:

- Delivery of equipment to the school of choice within Escambia County.
- Complete installation and startup of equipment.
- Demonstration of item by authorized rep.
- Removal, relocation to area of choice and/or disposal of existing equipment.
- Manufacturer warranties noted at item will run through KESCO Service dept."

All the contingencies appear reasonable, except for the last regarding what is commonly known as "warranty work." Discussions with a manufacturer representative indicated that most providers earn little profit from the sale of equipment and that "the real money is in the warranty and service work."

The District may be required to use KESCO for warranty work.

It would appear that by later awarding certain items to KESCO, the District may be bound by the contingencies of KESCO's offer, and that all warranty work would be required to be performed by KESCO. Not only does it appear that the District could be awarding additional services not originally intended to be awarded by this RFP, but the District would be bound to utilize KESCO in the future, even if the District desired to terminate its relationship with KESCO and/or determined it was in the District's best interest to utilize another vendor for warranty work.

On October 24 and 25, 2012, a RFP evaluation team was assembled to evaluate the various proposals. The team consisted of: Gail Szoboszlay, Food Services Director; Anitta Nordstrom, Food Services Area Manager; Mary Gilliard, Food Services Area Manager; Toni Vaughn, Food Services Area Manager; Debbie Moore, Food Services Administrative Secretary; Charlene Pinto, Food Services Administrative Specialist; Greg Gibbs, Assistant Director of Maintenance; Scott Joseph, Maintenance; and Thomas Silvers, Maintenance. Although he did not sign the tabulation sheet,

Evaluation team members were provided bidders' prices.

All alternative offers were rejected, regardless of price.

During the bid evaluation, decisions were made to group items into lots.

KESCO was awarded 73% of the items where only 1 "approved" brand/model was allowed.

according to the purchasing agent and emails from Ms. Szoboszlay, it appears Jonathan Mitchell – Food Services Area Manager also attended the meeting. The evaluation team received all price information. The purchasing agent, Marguerite Van Nostrand, participated in the meeting as an advisor.

Several alternatives to numerous items were offered by different companies. Although some of the alternatives were priced lower than the awarded acceptable model, the purchasing agent traditionally defers to the subject matter experts on the evaluation committee. Ms. Szoboszlay, in consultation with the evaluation committee members, determined that none of the alternatives were acceptable. As such, no alternatives were awarded.

Pursuant to the RFP General Terms and Conditions, the District reserves the right to evaluate by lot, by partial lot, or by item. In an effort to promote consistency throughout the District, both in ease of usage and repair, like items can be awarded as a lot to the vendor with the aggregate low total price for the lot. The decision to group items as a lot is traditionally made prior to the issuance of the RFP. Decisions were made during the RFP evaluations to award 20 of the 39 items as lots. A total of 9 lots, each consisting of 2-3 similar items, were awarded. KESCO, Inc. was awarded 5 of the 9 lots. A total of five vendors received awards. The RFP award was as follows:

Vendor	# of Items	Estimated Annual Expenditure
Culinary Depot Monsey, NY	1	\$38,450
East Bay Restaurant Oakland, CA	2	\$126,900
Hotel & Restaurant Supply Gulfport, MS	6	\$720,900
KESCO Pensacola, FL	26	\$5,457,650
Mobile Fixture Mobile, AL	4	\$145,800
TOTAL	39	\$6,489,700

As mentioned previously, of the 39 items included in the RFP, only 1 approved brand/model was listed for 22 of the items. Of these 22 items, 16 (73%) were awarded to KESCO. School Board Rule 5.02(8)(e) requires purchasing agents to identify specifications that appear to limit the RFP/bidding process to a single vendor. In the event that such a condition has been identified, the originating school/department shall be required to

Purchasing showed that bidding saved 10-35% versus quoting.

justify, in writing, those specifications which appear to favor a single vendor. At the time of the RFP issuance and award, the purchasing agent did not feel one vendor was given preference. As such, the justification process was not initiated.

On October 30, 2012, after the RFP evaluation committee met, Purchasing personnel compared prices of a sample of equipment items per quotes received prior to the issuance of the RFP to the prices received as a result of the competitive bid. They noted prices received from quotes were 10-35% higher than prices received during the competitive bidding process.

Based on the RFP quantities estimated to be purchased for all equipment items, Purchasing personnel estimated that competitively bidding the items saved between \$648,970 to \$2,271,395. This analysis underscores the need to develop RFPs and competitively bid purchases versus buying items piecemeal by receiving quotes from vendors.

Purchasing became aware of multiple RFP issues after the award.

After the RFP was awarded, Purchasing personnel became aware of a wide variety of concerns with the process, including:

- Specifications were not reviewed by Maintenance, contrary to Ms. Szoboszlai's previous assurance. No comprehensive plan had been developed with Maintenance to determine electrical, plumbing, mechanical or other installation needs.
- Food Services personnel conducted equipment (oven) testing outside of the procurement process. That testing was limited to one brand of oven.
- One vendor, KESCO, was allowed site visits prior to the RFP, while other vendors were not.
- Installation specifications were not provided to vendors.
- Equipment on the RFP (ice machines) was not adequate to meet District needs. One vendor even noted this in his bid submission, as he had previously provided numerous ice machines to the District.
- Specifications for equipment (steamers) failed to include accessories (\$500 filter units), which were necessary to satisfy warranty requirements.
- One piece of equipment (a dishwashing machine) was specified on the RFP only in one size. Food Services failed to measure all cafeterias in which the machines would be placed. As such, the machine would not fit into two of the intended cafeterias.
- Equipment (ovens) were awarded as a lot, in what appears to be an effort to award to a preferred vendor, KESCO. Convection ovens, both gas and electrical, were awarded as a lot. KESCO was awarded the lot, as it offered the lowest combined overall cost based on anticipated purchase quantities. KESCO was not the lowest bidder on either type of oven, but had the lowest overall price. The lot was awarded based on purchasing 120 gas ovens and 50 electric ovens; however, it does not appear the District purchased any

electrical ovens, as it has been moving away from purchases of electric ovens for years. KESCO would not have been awarded the anticipated \$900,000 gas oven purchase had the items been awarded separately. It is unclear whether Ms. Szoboszlay knew the District would not order electric ovens and this was an effort to ensure KESCO was awarded the business, or if she did intend to purchase 50 electric ovens.

Purchasing agent now feels RFP was designed to favor KESCO.

When we asked the purchasing agent if she felt, in hindsight, and based on her professional opinion, that the RFP was designed to give KESCO an unfair advantage that would result in their being awarded a significant share of the business, she replied, "Absolutely. Without a doubt."

In January 2013 gas leaks started at schools.

It appears KESCO installed a significant amount of equipment, including gas ovens, over the winter holidays. In early January, the District began to receive reports of gas smells/leaks at schools. Given the concern for student and staff safety, Maintenance personnel responded quickly. They isolated the issues to the new ovens installed by KESCO, and called KESCO to address the issues. KESCO initially indicated that the leaks were due to a minor installation issue and agreed to fix the problems.

Manufacturer representatives were unable to certify start-up of equipment due to improper installation.

At approximately the same time as the leaks were occurring, the oven manufacturer's representative started arriving at the schools to certify the initial start-up of the ovens. When an oven is sold, the seller (KESCO) enters the sale information into the manufacturer's database, which alerts the local manufacturer's representative to inspect the oven and certify it has been properly installed for warranty service purposes. Upon inspection, the representatives were unable to certify the ovens because they were not installed per manufacturer's specifications.

Manufacturer representatives indicated the wrong hoses were used.

The manufacturer's representative indicated that the gas lines used were not correct for commercial installations and recommended replacement of the gas lines. KESCO indicated that they had installed the ovens per Ms. Szoboszlay's specifications. The recommended replacement hoses were approximately \$200 each. KESCO agreed to replace the hoses once the manufacturer's representative indicated they would not certify the ovens.

KESCO agreed to make repairs.

Maintenance decided to make repairs using materials supplied by KESCO.

Maintenance personnel instructed KESCO to supply the hoses so that Maintenance employees could install the new hoses. It appears Maintenance personnel wanted to ensure the installation was done correctly and in accordance with District standards/preferences. As of this report, eight months after installation, the manufacturer's representative had not certified the ovens for warranty service purposes.

Equipment remains uncertified.

In February 2013 Purchasing

After learning that KESCO had installed over the winter holidays 5 pieces of equipment without an authorized purchase order or purchasing card transaction, combined with the known RFP process concerns and oven

continued discussions to potentially debar KESCO as a vendor.

installation issues, Purchasing personnel began deliberations on potentially debarring KESCO from doing business with the District. In early February, they met with General Counsel to discuss the matter. In their deliberations, Purchasing personnel considered the following points:

- KESCO delivered products to schools without a purchase order and was admonished for doing so.
- KESCO continued to deliver equipment (based on verbal orders from Food Services personnel), despite continued verbal and written communication from General Counsel stating regulations and requirements for purchase orders.
- KESCO installed equipment prior to award. When the RFP resulted in the same equipment being awarded to another vendor, both KESCO and Ms. Szoboszlay sought to allow the equipment to remain, calling into question the fairness of the RFP process.
- KESCO delivered equipment outside the presence of District personnel and signed receiving documents instead of District personnel.
- Despite evidence to the contrary, KESCO continued to insist it had not installed equipment prior to the issuance of an authorized purchase order.
- KESCO was given unsupervised access to multiple District facilities, where they removed, transported, and stored District equipment. Proper transfer paperwork was not completed prior to movement.
- KESCO did not install gas-fueled equipment to manufacturer's specifications, causing dangerous gas leaks and additional expense to the District.
- KESCO initially refused to remedy leaks, stating that Maintenance personnel were "exaggerating the problem and there was none."
- KESCO only agreed to remedy gas leaks once the manufacturer's representative refused to certify the installation.
- Due to concerns over KESCO's abilities, and a desire to install equipment per District standard practice, Maintenance personnel chose to receive the parts for gas leak repairs from KESCO, but opted to perform the repairs themselves, costing the District labor.
- KESCO provided gift cards to Ms. Szoboszlay, which could result in other vendors questioning, protesting, or bringing suit against the District, as KESCO was awarded the largest portion of the RFP.
- Multiple divisions within the District have lost faith in KESCO, and question the honesty and integrity of this vendor.

Purchasing personnel, along with District leadership, discussed various options, including allowing the RFP to be utilized through the end of the fiscal year. Purchasing personnel advised against continuing to utilize the RFP. The purchasing agent who oversaw the RFP stated, "Once we know there is a problem, and a breach of regulations has occurred after numerous citing, if we continue in the same vein, I think we are equally culpable."

In late February 2013 all non-emergency purchases from KESCO were halted.

In May 2013 the cafeteria equipment RFP was terminated by the School Board.

Internal Auditing was asked to verify all equipment ordered from KESCO.

We inventoried all new equipment in all cafeterias at all schools, regardless of vendor.

Other considerations were:

- terminating the RFP for “convenience” given all the concerns surrounding the specifications and bidding process, and
- the ramifications of disbarring a prominent local business.

At the end of February, all non-emergency purchases from KESCO ceased. Purchasing personnel requested from the Office of Internal Auditing a verification of all KESCO equipment in all cafeterias throughout the District. The details of that verification are discussed below.

In the end, a decision was made by District leadership to terminate the cafeteria equipment RFP for “convenience.” On May 21, 2013 the School Board approved the Superintendent’s recommendation to terminate the Cafeteria Equipment RFP. The stated reasons cited were: “After award, issues were discovered concerning the bid: the ice makers, for example, that were bid are not adequate for District needs; equipment installation specifications were not provided to vendors, an assumption was made that equipment would be installed per manufacturer’s requirements; some equipment, such as dishwashers, do not fit in every cafeteria, various sizes should have been bid.”

Equipment Verification

Given the concerns Purchasing expressed regarding Food Services’ ordering items without properly processed purchase orders, we were asked to reconcile equipment ordered per purchasing records to actual equipment on location at school sites. Purchasing staff provided a spreadsheet and supporting documents detailing all known equipment purchased from KESCO from July 1, 2012 through February 28, 2013. In addition, asset tagging reports, order invoices, and inventory records were secured. The spreadsheet included 174 items whose existence and location required confirmation.

The Property Audit Specialist, who conducts asset inventories throughout the District, visited all school cafeteria locations. During each visit, she noted all equipment and compared it to inventory records, invoices, and the spreadsheet provided by Purchasing. Product descriptions per invoices were compared to records and actual equipment. In addition, serial and model numbers on the actual equipment were compared to the model and serial numbers on invoices and inventory records.

The results of her verification efforts were as follows:

- **Of the 174 pieces of equipment listed on the spreadsheet, 91 (52.30%) of the items were located without exception.** The serial number and description of the item per the supporting documentation agreed with the actual piece of equipment. No further action should be required related to these items.
- **Of the 174 pieces of equipment listed on the spreadsheet, 13 (7.47%) were unable to be located.** Purchasing expected 9 of the

13 would not be found, as the orders may have been cancelled or the vendor was instructed to not deliver the items.

- **Of the 174 pieces of equipment listed on the spreadsheet, 70 (40.23%) of the items were located, but various serial number exceptions were noted.** The serial number and/or description of the item per the supporting documentation did not agree with the actual piece of the equipment. The serial number exceptions noted above consisted of:
 - differences between actual serial numbers on the equipment as compared to the invoice, and/or
 - differences between paired equipment (i.e. double ovens) serial numbers actually located on the paired equipment as compared to pairings on the invoices, and/or
 - missing serial numbers on invoices.

We also noted minor issues such as actual equipment color was different than the color listed on the invoices. We feel the serial number and color discrepancies are relevant to maintaining accurate records for research and ensuring eligibility of future repairs covered under warranty.

We also noted 7 additional pieces of equipment purchased from KESCO that were not listed on the spreadsheet provided.

After the verification was complete, information on these items regarding serial number discrepancies, color differences, additional equipment found was provided to both Purchasing and Budgeting personnel.

Follow-Up Actions

Prior to the issuance of this report, the following actions have been taken:

- Regarding the 13 items which could not be located:
 - 10 items were delivered after our verification. The original purchase orders were closed and new purchase orders will be issued.
 - 2 items were never delivered. The purchase orders for these items were closed. The District did not pay for these items, and Purchasing personnel have confirmed with the vendor that nothing is owed.
 - 1 item was located.
- Regarding the serial number discrepancies:
 - Purchasing personnel were able to secure revised invoices from KESCO for those pieces of equipment where serial number, model number, and/or color discrepancies were noted during our verification. They have provided copies of the revised invoices to Accounting Operations to attach to the associated purchases in the Skyward system.
 - Budgeting personnel have been provided copies of supporting documentation and verification results to revise

Corrective actions have been taken to address the discrepancies we noted.

District inventory records and issue/re-issue property inventory tags as needed.

- Regarding the 7 additional items found:
 - 3 items appeared to have been ordered verbally, but no supporting documentation could be located. It does not appear the District paid for these items, and Purchasing personnel have confirmed with the vendor that nothing is owed.
 - 2 items were ordered via purchasing cards instead of purchase orders. Purchasing was unaware of the purchases.
 - 1 item was ordered verbally, but no supporting documentation could be found. No purchase order authorizing the purchase was issued. Food Services desires to keep the item. As such, a new purchase order will be issued.
 - 1 item was previously known by Purchasing, but was not listed on the spreadsheet due to an oversight.
- We were also made aware of one additional item which was recently discovered. It appears the item may have been present during verification, but was either missed in error or located outside the cafeteria area. No supporting purchase documentation could be located. It does not appear the District paid for this item, and Purchasing personnel have confirmed with the vendor that nothing is owed.

Ms. Szoboszlay did not have a strong plan for disposal of used smallwares and equipment.

Smallwares and Equipment Disposal

Much like the development of specifications for equipment replacement, it does not appear Ms. Szoboszlay developed a clear plan for managing the removal of smallwares and equipment. This lack of planning appears to have cost the District a significant amount of time and lost revenue.

Cafeteria managers were told to throw away smallwares.

No clear action plan was developed for the removal of smallwares from cafeterias. According to Ms. Szoboszlay and Food Services personnel, cafeteria managers were instructed to throw used items in the trash and/or recycle dumpsters. During their interviews, Surplus Operations personnel recounted seeing dumpsters full of stainless steel pans, serving trays, cooking pots, and various other smallwares.

There was no organized plan to remove and store fryers.

Upon seeing the waste, the Surplus Operations Manager expressed his concern, as these items traditionally sold well at surplus auctions. It does appear Ms. Szoboszlay eventually attempted to halt disposals, but it is unclear how much revenue was lost because of her lack of planning and desire to rush through replacing smallwares.

Ms. Szoboszlay's lack of planning and organizational skills appears to have been evident in her quest to remove approximately 28 fryers from

cafeterias. In August 2012, Ms. Szoboszlay contacted the Director of Maintenance to inquire about having fryers removed. He advised Ms. Szoboszlay to schedule a meeting, as “this will involve as many as four different Maintenance shops. This will be additional work that will need to be scheduled and worked into our normal and emergency work load.”

What ensued over the next six months appears to have been a cautionary tale. Ms. Szoboszlay cycled from having Surplus Operations remove fryers, to requesting an outside vendor be hired, to having Warehouse personnel remove the fryers, to having KESCO remove the fryers. Storage of the fryers until they could be auctioned appears to be another area which suffered from Ms. Szoboszlay’s lack of planning. Equipment may have been scrapped to avoid having to store it.

Seventeen (17) fryers were crushed and taken to a metal scrapping facility by Maintenance personnel, despite the objections of the Surplus Operations Manager. Prior to their destruction, the Surplus Operations Manager indicated that fryers were “good-sellers” at surplus auctions. Ms. Szoboszlay initially indicated that she was scrapping the 17 fryers because of their age, but appears to have changed her reasoning. She later indicated that the fryers could not be auctioned because they had been “altered” and were “fire hazards.” The Surplus Operations Manager countered that the fryers had recently been in use in schools and all items sold at auction are sold “as is.”

When the Surplus Operations Manager expressed his concerns to the Assistant Superintendent of Operations, the Assistant Superintendent deferred to the opinion of Ms. Szoboszlay. When interviewed, the Assistant Superintendent indicated that the “cognizant expert” for the area in question will traditionally make the final call on auction versus scrap.

The 11 fryers that were auctioned sold for an average of \$400 each; however, it is unclear if the older fryers would have demanded \$400. The potential revenue lost, had the 17 fryers averaged \$400 each, was \$6,800. Not only did the District not receive the revenue, but it absorbed the labor and equipment costs of crushing the fryers. The Surplus Operations Manager estimates that scrap value is traditionally 10% of auction value.

The Warehouse Manager described the fryer removal and disposal process as “the worst project I have seen in 40 years.” He stated in an email to Ms. Szoboszlay, “I’m sorry Gail, but you don’t communicate. You shotgun little directions but you never communicate the same message to all those concerned. You are setting fires that you don’t realize. You seem to be directing a fire hose in all directions without a real plan that anyone knows. We want above all else for you to succeed. I would slow down a bit and focus on fewer issues and do them well and completely.”

17 fryers were crushed, despite objections of Surplus Operations.

Operations leadership deferred to Ms. Szoboszlay’s judgment.

The 11 fryers that were auctioned all sold.

The District lost auction revenue because of the fryers being crushed.

Food Services had 4 purchasing cards, with a total spending limit of up to \$60,000 per month.

During his interview, the Surplus Operations Manager expressed his disappointment with the entire equipment removal process. He recalled being instructed to auction equipment that was brand new, which was apparently ordered in error. When asked about Ms. Szoboszlay's handling of the equipment disposal, he replied, "I had never seen anything like it."

Purchasing Card Transactions

Food Services has utilized purchasing cards for many years. During Ms. Szoboszlay's tenure, Food Services possessed four purchasing cards that were used for a wide variety of purchases. The following is a summary of individuals with cards and their associated credit limits:

Kay Johnson

Issued with a \$10,000 limit

Limit temporarily raised from \$10,000 to \$20,000 in August 2012

Limit reduced to \$10,000 at the end of September 2012

Limit requested to be raised to \$20,000 in October 2012 – DENIED

Charlene Pinto

Issued with a \$10,000 limit

Limit temporarily raised from \$10,000 to \$20,000 in July 2012

Limit reduced to \$10,000 at the end of September 2012

Turned in card to District in December 2012

Gail Szoboszlay

Issued with a \$10,000 limit

Limit requested to be raised to \$20,000 in October 2012 – DENIED

Limit reduced to \$0 in December 2012

Sandy Uher

Issued with a \$10,000 limit

All requests for credit limit increases came from Ms. Szoboszlay. As justification for increases, Ms. Szoboszlay cited, "having to attend to health department violations, employee and student safety issues, and to conform to the standards set by the USDA, HAACP, and critical CCP reviews."

All Food Services' cardholders attended mandatory purchasing card training.

All District cardholders are required to attend mandatory purchasing card training, where they are provided a copy of the Travel & District Purchasing Card Manual, which details established District purchasing card rules and procedures. According to the sign-in sheets maintained by Purchasing, all members of Food Services, including Ms. Szoboszlay, attended purchasing card training when they originally received their cards.

6 weeks after training, Purchasing notified Ms. Szoboszlay she and her staff had violated purchasing card rules.

Ms. Szoboszlay attended the purchasing card training on July 31, 2012. On September 9, 2012, the Director of Purchasing notified Ms. Szoboszlay that she and members of her department had violated the District's purchasing card procedures by making specifically prohibited purchases. The Director

All Food Services' cardholders signed cardholder agreements.

Ms. Szoboszlay had her card for 5 months before signing a cardholder agreement.

The Food Services employee who administratively manages all the cards had previously attended mandatory card manager training.

provided Ms. Szoboszlay a list of prohibited purchases, the same list provided to her at training six weeks prior. The list of prohibited purchases included: gifts/gift cards, capital items, GPS devices, food, etc.

At the time of card issuance, card holders are required to sign a Cardholder Agreement form, whereby agreeing to follow purchasing card rules and procedures and acknowledging the penalties for failure to follow said rules and procedures. Purchasing provided copies of each cardholder's signed Cardholder Agreement form. All cardholder's appeared to sign their respective Cardholder Agreement form at the time of card issuance, except for Ms. Szoboszlay, who was in possession of her card for approximately 5 months before signing the form.

According to the District-level Purchasing Card Coordinator (Coordinator), a member of Food Services picked up Ms. Szoboszlay's card. The Coordinator gave the employee the Cardholder Agreement form, and asked that she have Ms. Szoboszlay sign the form and return it to the Coordinator. After not receiving the form, the Coordinator followed-up with Ms. Szoboszlay via email several times, but still did not receive the form. The Coordinator was finally able to secure the signature when she noticed Ms. Szoboszlay in the Finance area and demanded that she sign the form.

All purchasing cards are managed by someone other than the cardholder. It is the responsibility of the card manager to secure receipts from cardholders, enter coding, provide a narrative description of each purchase in the Resolve purchasing card software, upload copies of receipts, and print monthly reports detailing and reconciling purchasing card activity. The accuracy of the monthly reports is attested to via signature by the cardholder and the appropriate director or the site administrator for the area. Once signed, monthly reports are uploaded to the Resolve software.

Purchasing card managers are required to attend additional training related to the duties of card management. All purchasing cards in Food Services are managed by the Administrative Secretary III for the Department. According to the sign-in sheet maintained by the Coordinator, the Administrative Secretary had attended the training in February 2007, when she was school-based. It does not appear she received refresher training when she joined Food Services.

Purchasing Card Audits

Given the nature of Food Services' operation, a wide variety of transactions are made by cardholders. Transactions that appear suspicious and/or in violation of District rules may be routine for Food Services. For example, food is traditionally an unallowable expense, but may be allowable and expected for Food Services.

In addition, Food Services is governed by various federal and state guidelines that may vary from the guidelines established for other areas of

Purchasing card transactions are “audited” by Accounting Operations.

The “Problems” sections of 73% of the audit worksheets for Food Services’ purchasing cards were blank.

Most “Problems” sections that were used did not document problems.

the District. Given the intricacies associated with allowable food service purchases, it is often difficult to attest to the validity and/or appropriateness of purchases made by Food Services.

All purchasing card transactions are “audited” by members of the Accounting Operations Department (Accounting Operations). “Audits” are conducted on a monthly basis, and are designed to serve as a detective control. Each “audit” includes the following steps/tests in general and/or for each transaction:

- Verify the Monthly Signature Report was provided
- Verify the Monthly Signature Report was signed and all transactions are coded
- Verify a copy of the credit card bank statement is included
- Verify itemized receipts are provided for all transactions
- Verify sales tax was not paid
- Verify no single item was purchased in excess of \$1,000
- Verify no personal items were purchased
- Verify no computers were purchased
- Verify narrative details were provided for all transactions

Each audit worksheet includes a section to note any problems found during the “audit,” and their resolution. We were unable to determine the level of scrutiny applied to transactions. **Of the 26 monthly audit worksheets reviewed, the “Problems” sections of 19 audit worksheets were blank (73%),** presumably indicating no issues were noted by Accounting Operations personnel during the “audits.” Of the comments made, only a few noted violating and/or questionable purchases. Most comments in the “Problems” section appeared to be the “auditor” simply listing all transactions in an effort to ensure a receipt was included for each transaction.

Done in a timely and competent manner, these “audits” serve an important function in the oversight process. They allow for a final review of transactions should a cardholder fail to follow appropriate District rules and/or a card manager fail to address an issue.

The “audits” for the four cards maintained by Food Services were obtained from Accounting Operations. Review of the “audits” indicated numerous concerns calling into question the effectiveness of the “audits.”

The first of these concerns is the timeframe in which the audits were performed. The following is a summary of the timeframe which “audits” were completed:

Purchasing card “audits” were not done timely. Some transactions were not reviewed for up to 10 months.

Gail Szoboszlay’s Card			
Purchasing Month	Month Audited	Difference	Transactions Total
August 2012	June 2013	10 months	\$4,270.86
September 2012	February 2013	5 months	9,277.76
October 2012	November 2012	1 month	3,751.82
November 2012	April 2013	5 months	3,506.49
December 2012	May 2013	5 months	2,434.66
TOTAL			\$23,241.59
AVERAGE			5.20 months
			\$4,648.32

Charlene Pinto’s Card			
Purchasing Month	Month Audited	Difference	Transactions Total
July 2012	May 2013	10 months	\$10,558.23
August 2012	May 2013	9 months	20,832.26
September 2012	July 2013	10 months	13,665.49
October 2012	June 2013	8 months	10,244.37
November 2012	June 2013	7 months	6,275.38
December 2012	May 2013	10 months	3,566.43
TOTAL			\$65,142.16
AVERAGE			8.33 months
			\$10,857.03

Kay Johnson’s Card			
Purchasing Month	Month Audited	Difference	Transactions Total
July 2012	March 2013	8 months	\$9,025.98
August 2012	April 2013	8 months	3,137.96
September 2012	June 2013	9 months	12,518.15
October 2012	July 2013	9 months	11,483.15
November 2012	July 2013	8 months	582.00
December 2012	March 2013	3 months	4,148.91
January 2013	July 2013	6 months	692.22
February 2013	July 2013	5 months	13.44
March 2013	July 2013	4 months	405.44
TOTAL			\$42,007.25
AVERAGE			6.67 months
			\$4,667.47

No additional “audit” scrutiny is done on purchases made during non-business hours.

Sandy Uher’s Card			
Purchasing Month	Month Audited	Difference	Transactions Total
October 2012	November 2012	1 month	\$514.55
November 2012	January 2013	2 months	6,154.09
December 2012	January 2013	1 month	957.92
January 2013	February 2013	1 month	1,844.81
February 2013	March 2013	1 month	3,234.03
March 2013	April 2013	1 month	264.58
TOTAL			\$12,969.98
AVERAGE			1.17 months
			\$2,161.66

Upon review of the timeframe that the “audits” were completed, it does not appear the “audits” are performed in a timely manner, thereby losing their effectiveness as detective control. Many of the transactions noted later in this report, which violated policy and/or were questionable, were not reviewed until after Ms. Szoboszlai had resigned.

Another concern with the effectiveness of the “audits” is the lack of heightened scrutiny of transactions occurring during non-business hours. We noted several transactions, some questionable, others appearing to be or assumed to be valid, that occurred at night and/or on weekend days. In its Purchase Card Audit Guide, the Government Accountability Office advises that these purchases “offer a high probability of identifying potentially fraudulent, improper, and abusive transactions.” Additional testing of such transactions is standard practice in most traditional purchasing card audits. Although 100% of transactions are routinely “audited” by Accounting Operations, the “audit” procedures do not instruct personnel to identify and scrutinize non-business hours transactions.

We also noted the images of several receipts did not show the entire receipt. We noted what appeared to be folded receipts, which caused totals or details of individual purchases to be omitted. It is unclear how an “auditor” can review a transaction if he/she is unable to review the complete details of a receipt. For our testing purposes, we secured the original documents from Food Services.

Given allegations made during the District’s investigation concerning improper purchasing card transactions and initial results supported the allegations, we felt it necessary to review all transactions for all four cardholders in Food Services.

We noted the following violations of District rules/policies and/or questionable purchases:

Purchases of Capital Equipment

Proofing/Heating Cabinet	\$1,500	08/30/12	Kay Johnson's Card
Refrigerator	\$2,465	08/30/12	Gail Szoboszlay's Card
Compressor	\$1,395	12/15/12	Kay Johnson's Card

Note: Per discussions with Operations leadership, capital purchases are traditionally only made on purchasing cards in emergency situations, such as replacement of a non-functioning compressor.

Purchases of Gift Cards

One \$25 Barnes and Nobles Gift Card	\$25	10/26/12	Gail Szoboszlay's Card
Eight \$60 Outback Restaurant Gift Cards	\$480	12/01/12	Gail Szoboszlay's Card
One \$50 Wal-Mart Gift Card	\$50	12/11/12	Gail Szoboszlay's Card
Two \$60 Outback Restaurant Gift Cards	\$120	12/11/12	Gail Szoboszlay's Card
Six \$30 Applebee's Restaurant Gift Cards	\$180	12/11/12	Gail Szoboszlay's Card
Three \$50 Wal-Mart Gift Cards	\$150	12/12/12	Gail Szoboszlay's Card
Seven \$60 Outback Restaurant Gift Cards	\$420	12/12/12	Gail Szoboszlay's Card
Sixteen \$25 Olive Garden Restaurant Gift Cards	\$400	12/12/12	Gail Szoboszlay's Card

On 12/10/2012, Jaleena Davis, former Supervisory Dietitian and current Food Services Director, emailed DOA to inquire on Ms. Szoboszlay's behalf about giving restaurant gift cards to managers "to allow them to sample food at various places in town...to help make better menus/recipes for students." DOA replied the same day, copying Ms. Szoboszlay, and stating, "These types of expenses should not be paid with school food service funds." Ms. Szoboszlay acknowledged the email, responded to DOA asking about other recognition gifts, and purchased \$1,800 of gift cards anyway.

On 12/17/2012, Ms. Szoboszlay sent an email to all cafeteria managers stating, "Please stop by the Food Services Office at your convenience between Tuesday and Friday. We would like to present you with a special treat. We also have a little token of our appreciation for you to take back to your staff. Happy Holidays." The gift cards, along with other items, were disbursed in "goodie bags" for managers and staff.

In her interview, Ms. Szoboszlay stated she consulted with both Ms. Davis and the Food Services Accounting Senior Financial Analyst about using à la carte funds to purchase the gifts cards. Ms. Szoboszlay claimed that both individuals stated she could use à la carte funds; a claim they both disputed in their interviews. Ms. Davis indicated that she had expressly advised Ms.

DOA notified Ms. Szoboszlay that she could not purchase gift cards with Food Services funds.

Ms. Szoboszlay decided to purchase gift cards anyway and gave them, along with other items as gifts.

Szoboszlay against purchasing the gifts cards from any Food Services funding source. It is also important to note that, per the current Director of Accounting Operations, the District does not differentiate revenue from meal sales versus revenue from à la carte sales.

In addition, Ms. Szoboszlay contacted the Purchasing Card Coordinator and stated she would be purchasing gift cards. The Coordinator informed Ms. Szoboszlay it would be a violation of purchasing card policies, but according to the Coordinator, Ms. Szoboszlay indicated that, “other districts do it, and she had received approval from Food Services Accounting and DOA.”

Purchases of Personal GPS Devices

Personal GPS systems were purchased.

One Tom Tom GPS	\$150	07/06/12	Kay Johnson’s Card
Two Magellan GPS	\$300	07/06/12	Kay Johnson’s Card
One Garmin GPS with Service Plan	\$198	10/16/12	Gail Szoboszlay’s Card
One Tom Tom GPS with Service Plan	\$144	10/16/12	Gail Szoboszlay’s Card

Purchases Split to Avoid \$2,500 Single Transaction Limit

Purchases were split to avoid transaction limits.

Cut Resistant Gloves - KESCO	\$2,500	07/16/12	Charlene Pinto’s Card
Cut Resistant Gloves - KESCO	\$2,225	07/16/12	Kay Johnson’s Card
Smallware (Carts) – KESCO	\$2,475	08/22/12	Charlene Pinto’s Card
Smallware (Spatulas) - KESCO	\$1,750	08/24/12	Gail Szoboszlay’s Card
<i>Note: Orders were placed to same salesman on 08/19/12, with sequential order numbers.</i>			
Various Smallware - KESCO	\$2,176	10/08/12	Kay Johnson’s Card
Various Smallware - KESCO	\$836	10/08/12	Charlene Pinto’s Card
Various Smallware – Central Restaurant Supply	\$2,332	11/27/12	Sandy Uher’s Card
Various Smallware – Central Restaurant Supply	\$654	11/27/12	Charlene Pinto’s Card

Other Questionable Transactions

Non-program food and other personal items were purchased.

Produce (onions, peppers, etc.)	\$13	08/14/12	Kay Johnson’s Card
Provolone Cheese	\$12	08/14/12	Kay Johnson’s Card
Meats (pepperoni, Canadian bacon, etc.)	\$43	08/14/12	Kay Johnson’s Card

Note: Items were purchased from Wal-Mart at 3:57 pm. The narrative description entered into the Resolve software states, "Goods-food test." The current Food Services Director does recall the test preparation of pizzas during this time period, which might explain some of these items.

"Deposit" was paid on purchasing card 5 days before an order was placed.

Deposit on Bun Racks - KESCO	\$2,000	08/14/12	Charlene Pinto's Card
Balance owed on bun racks – KESCO	\$117	08/30/12	Kay Johnson's Card

Note: According to the invoice, the order was placed on 08/19/2012, but a "deposit" was charged on 08/14/2012; five days before the order was placed. According to the current Food Services Director, KESCO has never before or since requested/required a deposit for any purchase. No other deposits were noted for any other KESCO purchase.

Fruit (grapes, strawberries, etc.)	\$12	09/28/12	Kay Johnson's Card
Fruit dip	\$3	09/28/12	Kay Johnson's Card
Posters	\$20	09/28/12	Kay Johnson's Card
Five various telephones	\$142	09/28/12	Kay Johnson's Card

Note: Items were purchased from Wal-Mart at 8:46 am. The narrative description entered into the Resolve software states, "Goods-misc. items."

Chocolate and vanilla protein powder	\$40	10/04/12	Gail Szoboszlay's Card
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Note: Items were purchased along with other items from Wal-Mart at 8:27 am. The narrative description entered into the Resolve software states, "Goods-tables, etc."

An animated cartoon DVD was purchased.

Pasta, pasta sauce, cheese, and cooking spray	\$38	11/14/12	Gail Szoboszlay's Card
Glue stick for hot glue gun	\$5	11/14/12	Gail Szoboszlay's Card
"Brave" animated movie DVD	\$15	11/14/12	Gail Szoboszlay's Card

Note: Items were purchased from Wal-Mart at 4:30 pm. The narrative description entered into the Resolve software states, "Goods-cafeteria supplies."

Swiffer pads, tissues, and paper towels	\$36	11/20/12	Gail Szoboszlay's Card
Cashew nuts	\$7	11/20/12	Gail Szoboszlay's Card
Non-stick frying pans	\$35	11/20/12	Gail Szoboszlay's Card

Note: Items were purchased from Wal-Mart at 4:15 pm. The narrative description entered into the Resolve software states, "Goods-school cafeteria items."

Televisions were purchased by Ms. Szoboszlay at Thanksgiving.

Two 26" televisions with service plans	\$434	11/21/12	Gail Szoboszlay's Card
Four 32" televisions with service plans	\$1,024	11/21/12	Gail Szoboszlay's Card

Note: Items were purchased from Wal-Mart at 1:27 pm the day before Thanksgiving. The narrative description entered into the Resolve software states, "Goods – totes, latch boxes, televisions, etc. for various schools."

One television "went missing."

Per discussion with current new Food Services Director, two of the 32" televisions were installed at Washington High, two of the 32" televisions were installed in the Food Services office area, one 26" television remains unopened in the Food Services Director's office, and one was purportedly stolen shortly after purchase. No property incident report or police report appears to have been filed.

A child's tablet computer was purchased.

Child's tablet computer with service plan, wireless keyboard, and colorful mouse	\$209	11/22/12	Sandy Uher's Card
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Note: Items were purchased from Wal-Mart at 9:09 pm on Thanksgiving. The narrative description entered into the Resolve software states, "Goods – cafeteria holiday decorations." Ms. Szoboszlay reimbursed the District for the tablet on 12/3/12.

Four 32" televisions with service plans	\$868	12/10/12	Charlene Pinto's Card
Two television mounts	\$100	12/10/12	Charlene Pinto's Card
RETURN – four 32" televisions with service plans	\$-933	12/10/12	Charlene Pinto's Card

Note: Items were purchased from Wal-Mart at 11:58 am. The narrative description entered into the Resolve software states, "Goods - televisions for school cafeterias." The televisions and service plans were returned, but the television mounts were not. Also, Wal-Mart refunded sales tax on the purchase although sales tax was not paid on the original purchase.

Various personal gifts were purchased.

Jar candles	\$39	12/12/12	Gail Szoboszlay's Card
Various holiday-themed chillers	\$74	12/12/12	Gail Szoboszlay's Card
Tissue paper and gift bags	\$35	12/12/12	Gail Szoboszlay's Card
Various candles	\$59	12/12/12	Gail Szoboszlay's Card

Note: Items were purchased from Wal-Mart at 8:24 am. The above items were purchased along with \$970 of gifts cards itemized above. The narrative description entered into the Resolve software states, "Candy, gift bags, and candles for cafeteria managers."

Various candies	\$42	12/13/12	Charlene Pinto's Card
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Note: Items were purchased from Wal-Mart at 8:49 am. The narrative description entered into the Resolve software states, "Goods – snacks for managers."

Food was purchased on a weekend.

Candles	\$5	12/16/12	Gail Szoboszlay's Card
Produce (broccoli, garlic, carrots, onions, etc.)	\$12	12/16/12	Gail Szoboszlay's Card

Note: Items were purchased from Wal-Mart at 2:18 pm on a Sunday. The narrative description entered into the Resolve software states, "Veggies for sample cooking/candles."

Over \$10,000 of decorations for cafeterias were purchased.

We noted nearly 30 purchases for hundreds of items totaling approximately \$10,600, made by all cardholders, for decorations for school cafeterias. These items included baskets, faux fruit, picture frames, etc. We have included these items as questionable purchases, as part of the investigation focused on the legitimacy of these purchases.

Discussions with the former Food Services Accounting Senior Financial Analyst indicated school food service funds can be used to enhance the aesthetic environments of cafeterias and serving lines. It appears these purchases were allowable. The question of whether the overall amount is excessive is subjective; therefore, we will not express an opinion. We did note that the total amount divided by approximately 50 sites equates to roughly \$200 per school.

Sales Tax

As a general rule, most purchases made by the District are exempt from sales tax. Payment of sales tax can usually be identified either through review of attached invoices or, in some instances, sales tax information is identified by the credit card processing system and reported.

Sales tax discrepancies were noted.

We noted what appear to be 9 purchases where sales tax may have been paid on purchases that appear to be exempt from sales tax. Later refunds of sales tax paid were processed by the respective vendors in four of the nine instances. No refund was noted for the other five instances; however, discrepancies exist for these instances between sales tax per the invoice and sales tax identified per the credit card processing system. None of the five invoices indicate sales tax was charged. It is unclear if sales tax was included in the invoice total and not itemized, or if there were errors in the credit card reporting system.

The resolution of these discrepancies is unknown, as no comments were made on the invoices, and the audit worksheets attached to the purchases make no mention of the discrepancies.

Fuel surcharges were paid.

Fuel Surcharges

We noted 21 transactions to the same vendor where a surcharge for fuel, ranging from \$3 to \$4.50 per order, was included on the invoice and paid. The items were various paper products from a vendor who is currently awarded, and has previously been awarded, various paper products. It is an established business practice that the District does not pay fuel surcharges. The general terms and conditions of the current Paper Products & Cleaning Supplies for School Cafeteria RFP states, "All pricing submitted will include all packaging, handling, shipping charges, and delivery to any point within Escambia County, Florida." Many of the items purchased are currently awarded from the RFP; however, it is unclear how many of the individual items were on the RFP at the time.

Office supplies were purchased at retail stores.

Retail Supply Purchases

We noted numerous transactions for office supplies (paper, pens, ink, batteries, small electronic items, etc.) that were purchased in-person from local retailers. Purchasing has developed an online purchasing portal, whereby District departments have access to a wide-variety of office supply vendors. Although use of the purchasing portal is not mandatory, it is strongly encouraged.

Within the purchasing portal, significant discounts have been secured as a result of competitively bid pricing. Purchases can be placed with vendors and items shipped free of charge directly to a department. Departments can take advantage of competitively bid prices when making in-person purchases from vendors included in the purchasing portal; however, additional steps must be taken to receive the competitively bid pricing and to ensure sales tax is not charged. Although some vendors associate purchasing card account numbers with discount agreements, this process is not consistently applied. The majority of the supplies purchased were from vendors with which the District does not have discount agreements and/or competitive bids.

It is unclear the total amount overpaid for office supplies as a result of failing to use the purchasing portal and/or ensuring competitively bid prices were charged when purchases were made in-person.

Receipts/invoices were not initialed and dated.

Receipt of Goods

Very few of the invoices for purchasing card transactions included a notation documenting that all items were received, correct, and undamaged. This review is traditionally documented through the receiver initialing and dating the receiving slip or invoice. The process can be complicated when a vendor does not utilize a standard backorder process of only charging for items shipped, and then processes the residual amount owed when the remaining items are shipped.

Cards were charged despite items being on backorder.

For many of the Food Services vendors, it appears purchasing cards are charged at the time of order, not at the time of shipment. We noted paid invoices that stated, "We still owe..." or previously ordered items being added to current orders as evidenced by statements on invoices such as, "also send 6 cutting board already paid for." Although not mandated in School Board Policy or the Travel & District Purchasing Card Manual, attesting to receipt of an accurate, complete, and undamaged order is standard business practice. The District appears to rely upon the attestation made by a cardholder when they sign monthly transaction summary reports that state, "My signature certifies that the information on this report is correct and that all purchases were made in accordance with School Board Policies and the Purchasing Card Rules and Procedures Manual."

KESCO shipped certain items, but invoiced for other items.

Discussions with the current Food Services Director indicated Ms. Szoboszlay would order items from KESCO that were not awarded to KESCO in the bidding process. KESCO would invoice for awarded items, with approximately the same price, but deliver the desired items. Having someone verify that the goods on the invoice were the actual goods received and documenting that verification would help prevent this scenario, although no internal control can survive when one person controls the entire process or there is collusion.

Food Services personnel used each other's cards without following proper protocol.

Using Other's Card/Falsifying Signatures

One Food Services cardholder indicated the following on her monthly report containing seven charges: "#1 is my only purchase made by me." A review of the disputed purchases indicated the signatures of another Food Service employee, as well as what appeared to be the signature of the employee disputing the charges. The employee was provided copies of the signatures, where she stated the signatures were not made by her.

Food Services personnel forged signatures.

Another Food Services employee returned her card to Purchasing. She informed the Purchasing Card Coordinator that she no longer needed the card, but in her interview with the Investigator she claimed that she was "uncomfortable" with having a card in her name. When asked about various purchasing card matters, she stated, "I was doing what I was told to do."

Ms. Szoboszlay wrote in an email, and discussion with current Food Services personnel, indicated that it was common practice for employees to use each other's purchasing cards. This process was utilized as a matter of convenience and also purposely when one cardholder's card would be approaching either its transactional or monthly limit. One Food Services employee stated managers were given a purchasing card and told to "go to KESCO and shop."

Although strongly discouraged, the District has established a process whereby another person besides the cardholder is authorized to make a purchase on the cardholder's card. This process requires the cardholder to complete and sign a "Request Purchase Utilizing Purchasing Card" form. It does not appear this form was used for any of the disputed purchases.

Although only these purchases were brought to our attention, we feel many more purchases were likely made by persons other than the cardholder, as the practice was common in Food Services. Of the most concern is not the failure to complete the appropriate form(s), but the forging of other cardholders' signatures and the attestation on monthly reports stating, "My signature certifies that the information on this report is correct and that all purchases were made by me in accordance with School Board Policies and the Purchasing Card Rules and Procedures Manual." It is unclear if these actions would be considered criminal.

Purchasing Card Conclusions

All transactions were reviewed for all cardholders for the period under audit. As expected, given the nature of Food Services, we were unable to determine the validity of many transactions. This problem was compounded by the lack of sufficient detail of the narrative description entered by the card manager into the Resolve software. Many purchases were described simply as "goods" or "goods for cafeterias." As such, without definitive evidence to the contrary, we were forced to accept the legitimacy of most transactions.

On December 3, 2012, Ms. Szoboszlay reimbursed the District \$144.50 for "tablet/food" purchased on purchasing cards in November 2012. On December 19, 2012, Ms. Szoboszlay returned \$435.00 of undistributed gift cards to Wal-Mart. On December 19, 2012, Ms. Szoboszlay reimbursed the District for \$560.00 for "refund for gift cards." On December 21, 2012, the Purchasing Card Program Coordinator notified Ms. Szoboszlay that her purchasing card limit had been brought to a zero spend limit as a result of prohibited purchases (gift cards).

On March 15, 2013, Ms. Szoboszlay reimbursed the District \$1,012.40 for "p-card." Finance determined this amount, and noted: 1) Purchasing card purchases were made in violation of purchasing card rules and cardholder agreement, 2) District funds were used inappropriately, and 3) Child nutrition funds were used inappropriately.

The total amount of questionable purchases exceeds the amount reimbursed by Ms. Szoboszlay. We are unable to determine the extent of the deficit, as various Food Services employees used each other's cards and valid explanations may exist for the questionable purchases. We do, however, agree with Finance's conclusions above.

Narrative descriptions of purchasing card purchases were general and/or inaccurate.

Ms. Szoboszlay has been required to reimburse District numerous times for personal purchases on purchasing cards.

In December 2012 Ms. Szoboszlay's credit limit was reduced to zero.

Total questionable purchases exceed amounts reimbursed.

Food Services participates in vendor rewards programs.

A former Food Services employee benefited personally from rewards program(s).

Ms. Szoboszlay raffled the awards to Food Services personnel.

Food Service Rewards Programs

The food service industry offers a variety of loyalty programs that reward food service operations for purchasing products and services from various industry brands. Points can be earned by purchasing qualifying products. Programs vary, but most require entering online the purchase data or codes from packaging, which results in rewarding of points. Points can then be redeemed for a wide variety of personal items, such as: sporting goods, electronics, movie tickets, and tools. We noted that Food Services participated in at least two of these loyalty programs: FoodServiceRewards.com and CoolSchoolCafe.com.

Based on interviews conducted by the former District investigator, a former Food Services employee operated these programs. She instructed cafeteria managers and Warehouse personnel to collect the codes from products and remit the codes to the Food Service office. She entered the codes into the online systems, and would redeem the points for “prizes.” It appears the employee operated the program without the knowledge of the previous Food Services director.

One program was utilized at least once during Ms. Szoboszlay’s tenure. On August 2, 2012, an order was placed for 2 video/mp3 players, 13 movie tickets, and an iPod Nano. According to the current Supervisory Dietitian, the movie tickets and iPod Nano were raffle prizes given to cafeteria managers at manager meetings and the 2 mp3 players remain at the Food Services office.

According to the Food Services employee currently responsible for managing the programs, when she logged into the program websites, the address associated with the programs was the former employee’s home address. It appears the former employee may have violated the Code of Ethics by using her position for personal gain.

Prior to completion of our fieldwork, Operations developed a SOP for these two vendor rewards programs. The SOP did not address vendor rebates.

Vendor Solicitation

School Board Rule 5.02(1)(f) requires all employees “to refrain from soliciting or accepting gifts or gratuities from present or potential suppliers which might influence, or appear to influence purchasing decisions.” The subjective nature of the phrase “which might influence, or appear to influence” has created an atmosphere at the District whereby it is commonplace to solicit donations from suppliers. Donations are sought for reasons such as Relay for Life, District trainings/meetings, door prizes for luncheons, etc.

Ms. Szoboszlay solicited vendors to help with meeting expenses, disaster relief, and repaying the District for the gift cards she purchased.

It appears Ms. Szoboszlay solicited donations from at least one vendor to presumably aid the victims of Hurricane Sandy. There was not a known District-wide effort to raise funds for this cause; however, not all solicitation is done District-wide. The vendor, KESCO, appears to have donated a \$200 gift card. It is unknown if the gift card was used for its intended purpose. It could not be located during the investigation.

In addition to soliciting funds for Hurricane Sandy, it appears Ms. Szoboszlay solicited funds to assist in reimbursing the District for the gift cards she purchased on her purchasing card. As mentioned previously, Ms. Szoboszlay was advised against purchasing gift cards, but once she had done so, was advised to reimburse the District. It appears she solicited at least one vendor to help with the reimbursement effort.

Supreme Paper Company, a vendor who supplies various goods to the District, provided a check on December 14, 2012 for \$150. The original check did not include a description in the "For" section of the check; however, after receipt, it appears someone wrote "mgr. appreciation" in this section. It is unclear who altered the check. During the investigation, the check was returned to the vendor.

Other Matters

Employee Leave

Ms. Szoboszlay's resignation was received March 1, 2013 and was retroactive to February 25, 2013. She was on leave from February 5, 2013 and used all available leave. She did not have sufficient leave to cover her time off through her resignation date or through the date she was paid.

When questioned, Ms. Szoboszlay claimed she began working prior to her official start date, and the Assistant Superintendent of Operations stated she "could use those first unpaid days in the future if I wanted to take a day or two off." The Assistant Superintendent of Operations denied making this statement.

Current practice dictates that District-level administrators are to notify their appropriate assistant superintendent when they are not going to be present at work. Appropriate leave forms are to be submitted.

A review of the leave submitted by Ms. Szoboszlay compared to the days she indicated she was not present at work showed a significant discrepancy. Ms. Szoboszlay's emails to staff notifying them of the time she took off indicated that she took off a total of 37 full days from her start date of July 2, 2012 through the last day she was paid, February 28, 2013.

Ms. Szoboszlay took off at least 37 days of the 167 days she was employed.

Ms. Szoboszlay failed to turn in leave for 16 days.

It appears Ms. Szoboszlay took a significant number of days off, 23 in all, without having sufficient leave. For example, we noted 16 full days which it appears Ms. Szoboszlay notified staff she would be off, but per review of

Skyward pay records, failed to submit leave for those days. The remaining 7 days were the result of her being paid for the full month of February 2013. She turned in leave for 2 days, but was not entitled to leave. She was paid for 5 remaining days, but did not work on those days.

The following illustrations document the days that Ms. Szoboszlay was not present at work during the 2012-2013 fiscal year:

CALENDAR LEGEND	
	District Holiday, Day Off, or Weekend Day
	Half-Day Not Worked – Leave Not Submitted
	Full-Day Not Worked – Leave Not Submitted
	Full-Day Not Worked – Leave Submitted No Leave Available
	Full Day Not Worked – Leave Submitted Leave Available
	Full Day Not Worked – Leave Not Submitted Leave Not Available

JULY - 2012						
M	T	W	T	F	S	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

AUGUST -2012						
M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

SEPTEMBER - 2012						
M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

OCTOBER - 2012						
M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

NOVEMBER - 2012						
M	T	W	T	F	S	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

DECEMBER - 2012						
M	T	W	T	F	S	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

JANUARY - 2013						
M	T	W	T	F	S	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

FEBRUARY - 2013						
M	T	W	T	F	S	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

SUMMARY OF DAYS OFF WORK		
14	Full Day Not Worked – Leave Submitted Leave Available	
16	Full-Day Not Worked – Leave Not Submitted	
02	Full-Day Not Worked – Leave Submitted No Leave Available	
05	Full-Day Not Worked –Leave Not Submitted – Leave Not Available	
37	TOTAL DAYS OFF	

From July 2, 2012 (Ms. Szoboszlay’s start date) until February 28, 2013 (the last day through which Ms. Szoboszlay was paid) there were 167 work days. Ms. Szoboszlay earned payment for 144 of those days (167 work days – 37 days taken off + 14 days of leave available/used = 144 earned days). We noted many emails where Ms. Szoboszlay notified staff that she was sick and would not be in until late morning or midday. We did not note any leave sheets for those days. It is unclear if she worked late to compensate for that time. We did not include those times/days in our calculations.

Ms. Szoboszlay earned 57.83% (144 earned days / 249 contract days) of her annual contract amount of \$82,785, which equals \$47,876. These amounts include the retroactive pay raise approved by the School Board in May 2013. Ms. Szoboszlay was actually paid \$54,108, which equates to an overpayment of \$6,232.

If Ms. Szoboszlay truly failed to work on the days in question, she was overpaid \$5,906.

Ms. Szoboszlay informed staff she was attending a 2-day conference in Texas. She did not complete travel authorization paperwork, failed to turn in leave, and was actually interviewing for a job with her current employer.

Operations leadership does not permit flex-time or telecommuting.

The allowance/use of flex-time and/or telecommuting is not consistent throughout the District.

The Payroll Department (Payroll) previously calculated Ms. Szoboszlay's overpayment, which resulted in her reimbursing the District for \$326. However, Payroll was unaware of the time off that Ms. Szoboszlay took, for which she failed to remit leave sheets. Crediting Ms. Szoboszlay with her \$326 payment, it still appears she was overpaid by \$5,906.

According to Ms. Szoboszlay, three of the 37 days (December 5-7, 2012) she was not present at work were to attend a two-day conference in Dallas, Texas. When staff advised her of the necessary travel approval documents, Ms. Szoboszlay stated that the trip was being paid for by her previous employer, Sodexo, Inc., which seemed unusual as, per her resumé, she had not worked for Sodexo, Inc. for since 2011 (over 15 months). District policy requires that travel paperwork be submitted for all business-related travel, regardless of who bears the expense. According to Accounting Operations, no paperwork was submitted.

In addition, public documents from Ms. Szoboszlay's current employer indicated she was interviewed on December 5, 2012 for a Food Service Resident District Manager position. The employer, located in San Marcos, Texas, is approximately three and a half hours from Dallas, Texas. This information further calls into question the actual existence of the alleged two-day seminar.

A review of Ms. Szoboszlay's email account did indicate she was actively emailing regarding work matters during days which she was not at work. Discussions with the Assistant Superintendent of Operations, Ms. Szoboszlay's supervisor, indicated that he was not aware she had taken the time off without leave and he does not permit flex-time or telecommuting.

In addition, the Assistant Superintendent of Human Resources Services has clarified that employees who are not present at work are required to submit a leave form unless a flex-time arrangement has been approved by the Superintendent. Furthermore, as a condition of employment, all District administrators are routinely required to respond to phone calls and email while on leave.

School Board Rule 2.06(1)(E) states, "Administrative and professional shall work a minimum of eight (8) hours per day, unless otherwise approved by the Board. Work schedules shall be approved in advance by the Superintendent." Adherence to this policy is inconsistent throughout the District. Despite the School Board Rule, it appears most Administrators are given the latitude to allow or disallow flex-time and/or telecommuting. The District does not have an established telecommuting policy.

Ms. Szoboszlay received a total of \$1,241.11 in travel mileage reimbursements.

Ms. Szoboszlay turned in local mileage for days she was not at work, including days she was in Texas interviewing.

Ms. Szoboszlay and area managers usually document their daily travels via email.

Ms. Szoboszlay used a District vehicle for travel as well.

Travel Reimbursements

We secured copies of Ms. Szoboszlay's travel records for comparison to her attendance records. Ms. Szoboszlay submitted and received reimbursement for reported business mileage use of her personal vehicle. Her reimbursements totaled \$1,241.11 over a 4-month period. According to Food Services personnel, Ms. Szoboszlay utilized a District vehicle for much of her travel, not her personal vehicle.

Of the 16 days which Ms. Szoboszlay emailed staff to inform them that she would not be working due to illness or being out of town, we noted she submitted claims for mileage reimbursement on 10 of the 16 days. The total amount of miles claimed for those days was 493, which resulted in total reimbursement of \$219.39.

Three of the 10 days cited above included the days in which Ms. Szoboszlay was purportedly at the two-day conference in Dallas, Texas; one of which it appears she was interviewing with her current employer. On these days she submitted travel reimbursement requests for mileage to and from District schools and offices.

We also noted discrepancies in Ms. Szoboszlay's In-County Travel Reimbursement Claim forms. For example, on her reimbursement form submitted on December 10, 2012, she indicated she made "school visits" on December 3 and 4, 2012. She indicated that she made those visits using the "office car," and as such, did not request reimbursement for any miles.

However, one month later, on her reimbursement form submitted on January 8, 2013, she also included December 3 and 4, 2012, and claimed total mileage of 85.50 miles for "kitchen visits." It is unclear if she used an office car for a portion of the day on these days, if the submission was an error, or if the submission was a deliberate attempt to submit a fraudulent claim. The potential overpayment for these days equals \$38.05.

It appeared to be standard practice for Food Services area managers and Ms. Szoboszlay to email each other, either the afternoon before or early the morning of, to inform each other of the school visits they would make on a given day. We randomly selected days to compare site visits recorded in Ms. Szoboszlay's emails to her travels per her reimbursement forms. We were unable to reconcile any of her travels to her reimbursement forms.

Discussions with current Food Services personnel indicated that Ms. Szoboszlay utilized a District vehicle for much of her travel. This vehicle was shared with an area manager hired by Ms. Szoboszlay. Both Ms. Szoboszlay and the area manager requested mileage reimbursement. It is unclear why Ms. Szoboszlay would need to request mileage reimbursement if she was driving a District vehicle. According to the Food Services vehicle log, Ms. Szoboszlay drove a District vehicle for 14 days in November 2012. She

Ms. Szoboszlay submitted a mileage reimbursement request for 11 days she was driving a District vehicle.

requested personal mileage reimbursement for 11 of the 14 days. For 10 of the 11 days, it does appear Ms. Szoboszlay was present at work. The total mileage submitted for reimbursement for those 10 days was 424 miles, which equals a reimbursement payment of \$188.68.

One of the 11 days was November 16, 2012, a day which Ms. Szoboszlay was not present at work. On this day, Ms. Szoboszlay was assigned a District vehicle, and requested mileage reimbursement. The amount requested for reimbursement on this day (52 miles @ .445 = \$23.14) is included in the \$219.39 figure quoted previously.

Personal Use of District Telephone

While reviewing Ms. Szoboszlay's District cell phone records, we noted what appeared to be numerous phone calls to/from phone numbers in Texas, her previous residency state. It would appear these calls were of a personal nature.

Each month, employees with District-provided cell phones are required to review the details of their telephone bill and reimburse the District for personal use in excess of \$1, or attest that the employee has "reviewed my billing statement and the amount owed for personal minutes is not in excess of \$1." Personal use is calculated by multiplying personal minutes by 8 cents per minute. This process is documented on a "Cell Phone Reimbursement" form.

Ms. Szoboszlay failed to reimburse the District for personal use of her District issued cell phone.

During the 8 months Ms. Szoboszlay possessed a District cell phone, she only completed the required form 4 times. On each of the forms she completed, she attested that personal use did not exceed \$1. Upon reviewing her billing statements, we calculated personal use in excess of \$1 for 4 of the 8 months. She completed a form for 2 of those 4 months.

Although the amounts in excess of \$1 were not material, personal telephone use appears to be another area in which Ms. Szoboszlay may have abused her position for personal gain.

Recommendations

Recommendations related to Hiring

Ms. Szoboszlay's application package contained numerous discrepancies and ambiguities. These issues were not resolved prior to her interview or hire. The current Administrative, Professional and Instructional Personnel Interview Checklist includes a step to "review job description/develop questions," but is silent as to reconciling discrepancies in application documents. The interview checklist included in the Operations Division's standard operating procedures is extensive, but is also silent as to this duty.

Recommendation #1
Interview Checklist Step for
Application Discrepancies

As such, we recommend a standard interview checklist be developed for use throughout the District. The checklist should include a step requiring intensive review of the application package and resolution of any discrepancies noted.

Note: Prior to the issuance of this report, Human Resources updated the interview checklist to include a step to “review application packet for discrepancies.” The revised checklist has been posted to the District’s website.

Recommendation #2
Stated Job Qualifications

The qualifications section of the job description for the Director of Food Services requires a Bachelor’s degree in certain fields. Ms. Szoboszlay did not possess a Bachelor’s degree in those fields. In addition, the job qualifications require a Master’s Degree. Ms. Szoboszlay did not possess a Master’s Degree. Although experience can sometimes substitute for education, as an educational organization, the District should place a high value on the educational qualifications of its leaders. Currently, candidates that do not meet the stated job qualifications for instructional and educational support are not approved for interview. **As such, we recommend the District establish a policy whereby all candidates are evaluated based on the stated job qualifications. We recognize situations will exist where an otherwise qualified candidate may not meet the stated qualifications. As such, we recommend, at a minimum, additional consideration and/or preference should be given to candidates that meet all of the stated qualifications.**

Recommendation #3
Telephone Interviews

Ms. Szoboszlay was interviewed via telephone. Although she was the number one choice of six of the seven interview committee members, one member ranked her sixth out of seven candidates. We discussed the interview with this committee member, who is a 19 year District employee, with 40 years of experience in procurement and supply chain management, including food and smallwares. He indicated it is difficult to assess a candidate from a phone interview and he had a general unease about Ms. Szoboszlay. Phone interviews can be impersonal and interviewers do not get the benefit of reading body language and other non-verbal cues. Positions of leadership merit personal interaction and face-to-face contact with interview committees. **As such, we recommend that the use of telephone interviews be discouraged for all administrative positions. In extreme situations, virtual conferencing could be considered.**

The current District background screening process is limited to questions related to criminal matters. In addition, the District conducts a FBI criminal history check. No form of credit check or financial review is performed. In her application documents, Ms. Szoboszlay disclosed a previous conviction related to theft. The offense did not rise to the level sufficient to exclude her from employment, commonly known as a “Level 2 Offense.” Publicly available records on Ms. Szoboszlay, which were secured during the

Recommendation #4
Credit Checks

investigation and our audit, revealed several financial matters suggesting a pattern of financial instability. This information was unknown when Ms. Szoboszlay was hired. Had the District been aware of these matters, it may have affected the decision to hire Ms. Szoboszlay, or affected the amount of control over financial decisions she was given, and/or how much oversight was necessary. Although some may argue credit history has nothing to do with job performance, the District has an obligation to taxpayers to ensure that proper due diligence has been performed to ensure employees are responsible and ethical. Many positions throughout the District oversee material amounts of funding, make substantial financial decisions, and/or exercise a significant amount of control over District resources. **As such, we recommend a School Board Policy be developed requiring all candidates filling administrative or professional positions where they would exercise significant control over District resources be subject to credit checks, financial reviews, and/or bonding review. The District should work towards adopting this policy for current employees in those positions as well. The potential benefits of checks/reviews far outweigh the costs.**

Recommendation #5
Step Zero

Ms. Szoboszlay was placed on the salary schedule at the highest step possible without School Board notification. This decision was based on her “extensive experience.” While we understand the desire to recruit the highest level talent and that often comes at a premium, when individuals are recruited from outside the District there is often little information to support that the person is a high performer worthy of an increased beginning salary. Ms. Szoboszlay did not meet the stated qualifications of the job description; however, her experience was presumably used to supplement her lack of other qualifications. It would not seem appropriate for this same experience to also serve as justification for a salary premium. This incentive should only be offered to individuals who meet the stated qualifications and who have documented performance, or when there is reliable knowledge of a candidate’s experience/qualifications. Inconsistently implemented, the awarding of steps upon hire can breed resentment. Generally, employees should be required to “prove” themselves before being given a salary increase. **As such, we recommend that initial steps only be awarded to those candidates exceeding the stated job qualifications. If necessary, step increases could be awarded after a probationary period and effectiveness has been proven.**

Recommendation #6
Mentors

The Assistant Superintendent of Operations has a preexisting standard operating practice of assigning each new administrator a mentor. He considers the nature, size, complexity, and number of employees in an area when considering a suitable mentor. Although this practice is only successful if the new administrator utilizes the relationship, it can be a valuable tool for new leaders, especially those new to the District. Although Ms. Szoboszlay failed to fully engage her mentor, it remains a best practice. **As such, we recommend the District develop a procedure whereby all new administrators are assigned a successful District leader as a mentor.**

Recommendations related to Bidding and Purchasing Activities

Food Services ordered approximately \$86,000 in smallwares from KESCO, despite smallwares purchases having been awarded to another vendor through the bidding process. Purchases continued to be made after Purchasing personnel met with Ms. Szoboszlai and she agreed to discontinue the practice. This practice was able to occur because these items were ordered verbally and paid via purchasing cards. Although Purchasing oversees administration of the purchasing card program, monitoring purchases is a function of Accounting Operations. When items are ordered via purchase orders, purchasing agents verify correct bidders are used, and items are ordered at competitively bid amounts; thus providing additional oversight. **As such, we recommend that all items awarded on competitively bid contracts be ordered through the purchase order process. The purchases can still be paid via purchasing cards to reduce the District's administrative burden and earn card rebates. This recommendation is not intended to limit the use of purchasing card payments, but to help ensure bid prices are paid. At a minimum, we recommend the District design procedures for cardholders to ensure bid prices are paid when purchases are made via purchasing cards.**

Recommendation #7
Use Purchase Orders

Food Services struggled with developing effective specifications to supply to Purchasing for RFPs. These failures resulted in a substantial amount of items that were not awarded. There does not appear to be a SOP advising Operations departments on best practice related to RFPs, including developing specifications. **As such, we recommend Operations work with Purchasing to develop a SOP to govern the RFP process for all Operations departments. Any such SOP should require specifications to be reviewed by the Maintenance and Facilities Departments for consideration of warranty and serviceability issues.**

Recommendation #8
SOP for RFPs

In addition, where applicable, we recommend Purchasing revise its "bid card file" and/or "bid routing sheet" to require Maintenance Department leadership to sign that they have reviewed RFP/bid specifications.

Recommendation #9
Bid Routing Sheet

KESCO was given free access to kitchens to determine equipment needs and provide recommendations. In addition, KESCO provided specifications that were directly inserted into the RFP. These actions gave KESCO an unfair advantage throughout the bidding process. RFP/Bid solicitations prohibit communication once the RFP is issued; however, there is no guidance for communication during the planning/specifications development phase of the RFP. Although we recognize that District departments cannot cease communication with vendors, especially those that provide other goods or services outside of the potential RFP, communication that could give one vendor an unfair competitive advantage in any phase of the procurement process should not occur. **As such, we recommend a SOP be developed regarding vendor access to District facilities and staff when the vendor is potentially bidding on upcoming RFPs. At a minimum, administrators**

Recommendation #10
Vendor Code of Silence

should be trained on allowable/disallowable communication during solicitation.

Food Services submitted specifications for 39 items to be included in the cafeteria equipment RFP. Only 1 approved brand/model was indicated as acceptable for 22 of the items. One vendor, KESCO, was awarded 16 of the 22 items (73%). This appears to be the result of KESCO providing specifications to be included in the RFP, and the approved brand/model being limited, thus limiting the bidding process to one vendor. **As such, we recommend that Purchasing reject any RFP/bid specifications that do not contain at least 2 approved brands/models. Exceptions can be made for previously unused items, items based on student preference (e.g. food), or if the District is attempting to standardize. However, any exceptions should be documented and/or approved by both the Director of Purchasing and Assistant Superintendent over the area submitting the specifications.**

Recommendation #11
Approved Brands

Vendors often offer alternatives to the approved brands/models listed in a RFP. During the cafeteria equipment RFP, all alternatives were unilaterally rejected. While alternatives can be rejected for a variety of legitimate reasons, this process can also be manipulated to ensure an item is awarded to a preferred vendor. This process can be further complicated and/or manipulated when bid amounts are known prior to making the decision to accept or reject alternatives. Bid prices were provided to evaluation committee members prior to the determination of whether to accept or reject alternatives. **As such, we recommend that the decision to accept or reject alternatives be made separate and prior to evaluation committee members being provided bid prices.**

Recommendation #12
Evaluate Alternatives First

During the bid evaluation meeting, Ms. Szoboszlay determined that 20 of the 39 items would be grouped and awarded as lots. A total of 9 lots, each consisting of 2-3 similar items, were awarded. KESCO was awarded 5 of the 9 lots. The RFP General Terms and Conditions state that the District reserves the right to award items by lot. While we certainly agree with awarding by lot to promote consistency throughout the District, both in ease of use and repair, the decision to group items by lot should be determined during development of the specifications for the RFP. When decisions are made to group items during the bid evaluation meeting, especially if prices have been revealed, the process can be manipulated to ensure items are awarded to a preferred vendor. **As such, we recommend that the decision to group items should be made prior to a RFP being issued. Recognizing that exceptions may occur when it may be in the District's best interest to group items after that time, we recommend exceptions should be documented and/or approved by both the Director of Purchasing and Assistant Superintendent over the area submitting the specifications prior to the finalization of the tabulation.**

Recommendation #13
Awarding by Lot

Recommendation #14
Contingent Offers

KESCO's bid submission for the cafeteria equipment RFP included an attached memorandum for each item bid. The memoranda included a statement that warranty work would "run through the KESCO service department." By awarding items to KESCO, it appears the District has accepted KESCO's contingent offer and is bound to use KESCO for all warranty work associated with that equipment. The standard General Terms and Conditions or Special Conditions of RFPs do not currently state that the District reserves the right to reject the lowest bidder, should the District find any attached contingencies unacceptable. **As such, we recommend adding a statement to the RFP General Terms and Conditions or Special Conditions explicitly stating the District reserves the right to reject contingent offers.**

Recommendation #15
Warranty Service Waiver

Warranty service is a lucrative business. There are several other warranty service vendors, including factory-trained vendors. At some time in the future if the District's relationship with KESCO deteriorates, or if we wish to utilize another vendor, we may be bound by our acceptance of the contingent offer discussed above. **As such, we recommend Operations work with Purchasing and General Counsel to develop a waiver to be signed by KESCO and the District that would allow the District to utilize other warranty service vendors for equipment purchased under the RFP.**

Recommendation #16
Unauthorized KESCO Purchases

Both prior to award and after, KESCO installed equipment throughout the District, at Ms. Szoboszlay's direction, without the issuance of an authorized purchase order. Her actions obligated the District outside the protections offered by the normal procurement process. Ms. Szoboszlay justified her action as responses to emergency needs; however, no emergency was declared, nor were subsequent emergency procurement procedures followed. At the direction of the Assistant Superintendent of Finance, the District later issued purchase orders after the fact to KESCO to allow for payment of these "unauthorized purchases." School Board Rules states, "No person, unless authorized to do so under Board policy, may make any purchase or enter into any contract involving the use of school funds; per 6A-1.012, F.A.C. no expenditures for any such unauthorized purchase or contract shall be approved by the Board. Unauthorized purchases will be reported to the Board for informational purposes only." The unauthorized purchases were not reported to the School Board. **As such, we recommend Finance provide the Board a list of the unauthorized purchases.**

Recommendation #17
**Unauthorized Purchases
Language Interpretation**

In addition, District leadership has chosen to interpret the section of the F.A.C that states, "no expenditures for any such unauthorized purchase or contract shall be approved by the Board" to mean that unauthorized purchases do not need to be presented to the Board for approval. It is unclear if the intent of the F.A.C. is that the Board should simply be notified, or if these purchases shall not be allowed. **As such, we recommend General Counsel research the issue and issue a legal opinion on the matter.**

Recommendation #18
Manufacturer's Specifications

KESCO installed equipment that was not installed per manufacturer's specifications. RFP specifications did not dictate how or what installation materials would be used. The General Terms and Conditions of the RFP state, "The bidder must comply with all applicable federal, state, & local laws, statutes, and ordinances." Although KESCO's installations were in compliance with local codes, the installations were not per manufacturer's specifications. Despite gas leaks in multiple schools, KESCO initially refused to initiate the necessary changes to the installation materials, citing that installations met code and were done at the direction of Ms. Szoboszlay. KESCO did agree to initiate the repairs once the factory-certified manufacturer's representative refused to certify the initial start-up of the equipment. Although it would have been morally questionable, KESCO would have been within its rights to refuse to make the repairs, as it had complied with the RFP specifications and operated under the direction of Ms. Szoboszlay. **As such, we recommend the General Terms and Conditions or Special Conditions of the RFP be amended to include a statement that all installations should be done per manufacturer's specifications, unless otherwise noted in the RFP.**

Recommendation #19
Equipment Certification

Although KESCO eventually agreed to perform the necessary repairs, Maintenance personnel actually made the necessary repairs, with KESCO supplying the necessary material. The decision was made by Maintenance to ensure repairs were made in accordance with District standards/preferences. After KESCO installations, the factory-certified manufacturer representatives refused to certify the initial startup of the equipment, and complete/submit the necessary paperwork to the manufacturer. At the time of our fieldwork, the representatives had not returned to certify the equipment. **As such, we recommend the effected equipment and their installations be certified by the manufacturer representatives.**

Recommendation #20
Right to Audit and Inspect

There were a significant number of issues involving KESCO, including its relationship with Ms. Szoboszlay both before and after the cafeteria equipment RFP. According to the current Food Services Director, KESCO, at the direction of Ms. Szoboszlay, would invoice the District for certain items, but provide other items. The extent of all the issues is unknown. The RFP General Terms and Conditions include an Audit and Inspection clause which permit the District or its representatives to inspect and/or audit a bidder's documents and records as they pertain to products and services delivered under the RFP. To the best of the Director of Purchasing's knowledge, this right has never been exercised by the District, or any District of which he is aware. **As such, we recommend the School Board, in consultation with the Superintendent and District leadership discuss this audit, and determine the necessity of invoking the District's right to inspect and/or audit KESCO's records. At a minimum, a SOP should be developed to document a procedure and/or decision tree for when to invoke this right, and a general guide on how it would be performed.**

Recommendations related to Equipment Verification

During our verification of the equipment provided by KESCO, we noted significant discrepancies in serial numbers per invoices compared to the actual pieces of equipment, including numerous instances where invoices failed to list serial numbers for capitalized equipment. Invoices are attached to District purchasing records and are invaluable when researching to determine the origin of equipment or for service issues, especially in situations where serial numbers on the equipment are illegible due to extreme use. There are currently no District rules/procedures that require suppliers to document serial numbers on invoices. **As such, we recommend the RFP General Term and Conditions or Special Conditions be amended to include a statement requiring vendors to document on the invoice the serial numbers of equipment provided.**

Recommendation #21
Serial Numbers on Invoices

Once a RFP/bid has been awarded, Purchasing involvement is traditionally limited to issuing purchasing orders and perhaps mediating any problems with vendors. As such, the vendor may agree to the revised RFP terms, but fail to provide an invoice that includes the serial numbers. **As such, we recommend that Accounting Operations, prior to payment, ensure that all invoices for equipment purchases include serial numbers.**

Recommendation #22
Serial Number before Payment

We noted 70 instances of discrepancies between invoices and equipment when we conducted our verification of the equipment provided by KESCO. These discrepancies should have been recognized when the invoice was received and reviewed. There is not a School Board Policy requiring that invoices be reviewed and the review be documented. The DOE Procurement Policy Statement requires, "Purchases shall be checked and verified by designated staff to assure that all goods are received and prices are verified. All invoices and receipts shall be signed, dated, and maintained in the documentation file." **As such, we recommend School Board Policy be amended to include a requirement that all invoices be reviewed for accuracy and completeness, and that the review be documented via signature/initials and date. This verification must be done by an individual directly involved with the purchase and goods/services received.**

Recommendation #23
Invoice Verification

As previously mentioned, during our verification we noted serial number discrepancies on invoices for 70 items ordered through KESCO. Prior to issuance of this report, Purchasing personnel contacted KESCO to receive revised invoices. Currently, the original invoices are attached to the purchases in the Skyward system. As stated earlier, invoices are a valuable tool in conducting research. Purchasing has provided the revised invoices to Accounting Operations for upload and attachment to the purchases. As of the time of this report, the revised invoices had not been uploaded and attached. **As such, we recommend the revised invoices be uploaded and attached to the original purchases in the Skyward system.**

Recommendation #24
Revised KESCO Invoices

Recommendation #25
Surplus Operations

Recommendations related to Equipment Disposal

Food Services disposed of a significant amount of items which could have been auctioned, thus causing the District to lose revenue. Each year, Internal Auditing receives paperwork explaining inventory losses that were the result of items being discarded without proper paperwork. District-wide, site administrators and employees are not fully aware of the District's disposal, re-use, and scrapping policies. **As such, we recommend the District raise awareness of the Surplus Operations shop and the established procedures for handling excess items. The logistical and staffing needs of the Surplus Operations area may need to be evaluated in relation to the current and anticipated revenues which are received from its efforts.**

Recommendation #26
Altered Equipment

Despite the objections of the Surplus Operations Manager, Ms. Szoboszlay directed Food Services staff to crush and/or dispose of a significant amount of smallwares and equipment. Ms. Szoboszlay cited health, safety, or other issues as justification for her actions. For example, she first indicated 17 fryers were too old to be auctioned, but then suggested the fryers had been altered, so they were not permitted to be auctioned due to an unspecified rule/regulation. Once again, the Surplus Operations Manager objected, and responded that District equipment has always been sold at auction "as is." **As such, we recommend Operations confer with General Counsel and/or DOE/DOA to determine the legitimacy of Ms. Szoboszlay's concern regarding altered equipment, and develop a SOP if necessary.**

Recommendation #27
Surplus Operations Manager

When the Surplus Operations Manager spoke to the Assistant Superintendent of Operations, the Assistant Superintendent deferred to Ms. Szoboszlay's judgment, presumably due to her position and perceived experience as a "cognizant expert." Consequently, the fryers were scrapped, costing the District a significant amount of lost revenue, and diminishing the morale of the Surplus Operations Manager. When considering re-use, we agree that the opinion of cognizant experts should be heavily relied upon. However, we assert that the Surplus Operations Manager, with 13 years of experience in that position, is the cognizant expert of rules/regulations relating to disposal, scrapping, and auctioning. **As such, we recommend that once the decision has been made that an item cannot be re-used, leadership should defer to the opinion of the Surplus Operations Manager.**

Recommendation #28
Food Services P-Card Training

Recommendations related to Purchasing Cards

Food Services personnel violated a wide variety of purchasing card policies and procedures, which are outlined in the District's Travel & Purchasing Card Manual. All cardholders are required to attend mandatory training prior to receiving their card. At that training, cardholders receive a copy of the Manual. All cardholders and the purchasing card manager in Food Services attended training. Despite training, Food Services personnel violated the policies and procedures set forth in the Manual. **As such, we recommend that all current cardholders and the purchasing card manager in Food Services attend refresher purchasing card training.**

Note: Prior to the issuance of this report, Food Services employees received refresher purchasing card training on September 17, 2013.

Recommendation #29
Continuous P-Card Training

We noted the purchasing card manager in Food Services had attended training in 2007, when she was school-based. Cardholders and card managers are only required to attend purchasing card training when they first receive their card or when they are first assigned as a purchasing card manager at any location. Remedial training is not required when an individual changes positions/departments, even if the functions of the department differ greatly. Departments throughout the District utilize purchasing in different ways for many different purposes. In addition, the further a cardholder is away from initial training, the less is remembered about the policies and procedures, and the more reliant he/she is on the knowledge of others. **As such, we recommend all cardholders attend remedial training at regular intervals of 3-5 years, or as a matter of course, training could be attended as cards expire and are reissued.**

Recommendation #30
Cardholder Agreement Form

Each cardholder in Food Services signed a Cardholder Agreement form for their purchasing card. All District cardholders are required to sign the Agreement when they receive their card. The Agreement acknowledges receipt and reading of the District's Travel & Purchasing Card Manual and details consequences for not following established policies and procedures. Ms. Szoboszlay was in possession of her card for 5 months prior to signing her Agreement form. Ms. Szoboszlay failed to return her Agreement in a timely fashion, even after multiple requests. Current practice allows cards to be picked up by office staff, along with the Agreement form. The Agreement form is signed later and returned to Purchasing. The Purchasing Card Program Coordinator must pursue cardholders that do not immediately return their Agreement forms. **As such, we recommend the Agreement form be signed at the mandatory purchasing card training required prior to card issuance. This process would ensure signed Agreement forms are on file prior to utilization of cards.**

Recommendation #31
P-Card Purchase Descriptions

In reviewing the narrative description entered into the Resolve system for purchasing card transactions by Food Services personnel, we noted many of the descriptions simply stated "goods" or "goods for cafeterias." We also noted numerous receipts where purchase details were abbreviated and/or listed by a product number/code. General narrative descriptions are insufficient to understand and/or audit what was purchased, especially when receipts are not detailed or items on receipts are abbreviated or listed as product numbers/codes. The District's Travel & Purchasing Card Manual requires a description to be entered, but does not provide examples or encourage purchasing card managers to provide detailed explanations. **As such, we recommend the District's Travel & Purchasing Card Manual be revised to require more detailed narrative descriptions, and that this requirement be communicated to all purchasing card managers.**

Recommendation #32
P-Card Receipt Verification

According to the current Food Services Director, KESCO, at the direction of Ms. Szoboszlay, would invoice the District for certain items, but provide other items. As previously mentioned, the DOE Procurement Policy Statement requires, "Purchases shall be checked and verified by designated staff to assure that all goods are received and prices are verified. All invoices and receipts shall be signed, dated, and maintained in the documentation file." This requirement applies to purchasing card transactions as well. The District's Travel & Purchasing Card Manual currently indicates the cardholder is responsible for "collecting receipts, receiving and promptly inspecting all ordered materials and services, and reporting discrepancies." The Manual does not require the review be documented. The only attestation that occurs is a signature on the monthly signature report, where cardholders sign that purchases overall were made in accordance School Board Policies and the Manual. **As such, we recommend the District's Travel & Purchasing Card Manual be revised to require all purchasing card invoices/receipts be reviewed for accuracy and completeness, and that the review be documented via signature/initials and date.**

Recommendation #33
Splitting P-Card Charges

Several purchasing card transactions by Food Services personnel were made to the same vendor for the same type of items, but were shipped to different locations. The items are invoiced separately and charged separately, but appear to be part of the same order. The District's Travel & Purchasing Card Manual prohibits the splitting of charges to avoid transaction limits. It is unclear if ordering the same type of items from the same vendor, but having those items shipped to different locations is considered splitting charges. The Director of Purchasing acknowledged the ambiguity, but felt this scenario would be an example of splitting charges, and thus be a violation of policy. It is unclear if this has been effectively communicated to cardholders or purchasing card managers. **As such, we recommend Finance make a definitive determination regarding this scenario, incorporate the guidance into the Manual, and communicate it to cardholders and purchasing card managers.**

Recommendation #34
Direct Deliveries

Numerous purchases of smallwares made by Food Services personnel were shipped to the Food Services office. According to Food Services personnel, the items were then divided and distributed directly to school cafeterias. Traditionally, smallwares are ordered and shipped to the Central Warehouse. Distribution of the items then follows the established process of being requisitioned, charged/coded to the location, and delivered. Inventory levels are maintained and accountability can be assured. There is not a current prohibition against procuring and distributing items out of a department; however, all departments are encouraged to utilize the Warehouse. **As such, we recommend Operations leadership determine the preferred method of distribution and develop a SOP allowing or disallowing the direct distribution process. Consideration should be given to potential cost savings related to shipping. If allowed, the SOP should include guidelines to ensure accountability of inventory.**

Recommendation #35
P-Card Best Practices

Several of Food Services personnel's purchasing card transactions contained elements which were questionable or not considered District norm and/or best practices, such as paying sales tax or fuel surcharges, or purchasing basic supplies from retailers. As a general rule, the District does not pay sales tax or fuel surcharges. In addition, Purchasing has established a purchasing portal where departments can easily order a wide-variety of supply items at competitively bid prices. Departments are also encouraged to utilize the District's Warehouse, which stocks a wide-variety of supplies. **As such, we recommend Food Services personnel review the District's Travel & Purchasing Card Manual for established policies and procedures and best practices, including utilizing the purchasing portal and Warehouse.**

Recommendation #36
Timelier P-Card Audits

During this audit, and other audits/reviews recently performed, we noted that purchasing card "audits" performed by Accounting Operations personnel were not conducted in a timely manner. For Food Services personnel's purchasing cards, many months' transactions were not "audited" until 9-10 months after the transactions occurred, and on average were "audited" over 6 months after the purchases. We did note that one "auditor" consistently performed her "audits" on a timely basis. Purchasing card audits serve as a valuable detective control. They cannot stop fraud from occurring, but if done timely, they can assist in quickly identifying potential issues. **As such, we recommend Accounting Operations take the necessary steps to perform "audits" in a more timely and consistent manner.**

Note: We selected a random sample of "audits" for transactions in April 2013 and May 2013. The transactions for April were "audited" in June and July (a 2.8 month turn-around time for the sample). The transactions for May were "audited" in June and July as well (a 1.6 month turn-around for the sample). It appears action has been taken to ensure audits are conducted in a timelier manner.

Recommendation #37
Prioritize P-Card Audits

It is unclear if the delays in performing purchasing card "audits" are routine, the result of the demands from the new Skyward software implementation, or due to other causes. We selected a random sample of "audits" of transactions in August 2011 and April 2012. Both samples indicated a 1.2 month turnaround time, which suggests the Skyward implementation during the summer of 2012 may have been the root cause of the delayed "auditing." Other situations may develop in the future which could potentially divert resources from "auditing" duties. Purchasing card transactions must continue to be reviewed in a timely manner, even during high-demand times. **As such, we recommend at a minimum that "audits" be prioritized, perhaps based on total transactions amount, and in time of high demand those cards' transactions be "audited" first.**

Recommendation #38
After Hours P-Card Transactions

Several of the purchasing card transactions that violated District policies and/or procedures and other questionable purchasing card transactions made by Food Services personnel were made during non-business hours. Purchases made after business hours are purchasing card fraud “red flags.” Investigating these transactions is standard practice in any purchasing card audit. Currently, during their “audit” of purchasing card transactions, Accounting Operations does not place any additional scrutiny on transactions made during non-business hours. **As such, we recommend Accounting Operations’ purchasing card “audit” procedures be revised to include steps to identify and conduct further analysis of purchasing card transactions made during non-business hours.**

Of the 26 monthly Audit Worksheets of purchasing card transactions audited by Accounting Operations personnel, the Problems section of 19 of the Audit Worksheets was blank, indicating either no problems were noted or that problems were found and their resolutions were not documented. Of the Audit Worksheets that did have writing in the Problems section, in the majority of cases, the section was only used to list transactions to help the “auditor” ensure a receipt had been included for each transaction.

The procedures for conducting purchasing card “audits,” as developed by Accounting Operations, dictate any issues requiring resolution “should be noted in the Problems section. With each issue, the date and description of the issue, along with any contact information should be noted. Once there is a resolution to the issue it should be documented. All items must be followed through resolution by the auditor.” Given the numerous violations and questionable transactions made by Food Services personnel found during our audit, but not Accounting Operations’, we question the effectiveness of their “audits.” **As such, should Accounting Operations personnel continue to “audit” purchasing card transactions; we recommend they be trained in purchasing card auditing best practices.**

Recommendation #39
P-Card Auditing Best Practices Training

The use of purchasing cards throughout the District continues to grow significantly each year. In fiscal year 2011, transaction reports indicated the District had \$5.70 million in purchasing card transactions. That amount increased to \$7.18 million in fiscal year 2012. In fiscal year 2013, District personnel initiated over 20,000 purchasing card transactions, totaling \$8.24 million. Although the District strives to establish effective internal controls, fraud will happen, even with the best controls. Many organizations have purchased software which allows for data aggregation, mining and analysis of not only purchasing card transactions, but other transactions like payroll payments and traditional payments made by checks to vendors. This software is readily available, affordable, and works across most software platforms. **As such, we recommend the District research the data mining capabilities of the Skyward system, and evaluate the need to purchase stand-alone data mining and analysis software.**

Recommendation #40
Data Mining Software

Recommendation #41
Dedicated P-Card Auditor(s)

Currently the “audits” of purchasing card transactions are performed by accounting specialists whose main job duties are to process invoices for payment. There are 6 individuals who “audit” both the administrative requirements of monthly reporting and the \$8 million of annual transactions. There are 20,000+ yearly transactions that occur across 450 different purchasing cards. That amounts to almost 1,700 transactions a month, or approximately 280 transactions per “auditor” per month. As use of purchasing cards continues to grow throughout organizations, including the District, many organizations have secured full and/or part time staff dedicated to providing continuous auditing of purchasing card transactions. These individuals are traditionally degreed, certified, and/or receive continuous training in current trends and best practices in fraud and purchasing card auditing. **As such, given the continued growth in number and total amount of purchasing card transactions processed by the District, we recommend the District consider staff whose main job duties are dedicated to auditing purchasing card transactions.**

Recommendations for Food Services and/or Food Services Accounting

During a School Board Special Workshop, Ms. Szoboszlay addressed the Board’s concerns related to the change in menus. When specifically asked about fried food, Ms. Szoboszlay indicated that the District did not have a choice and was no longer allowed to fry foods. Research and discussions with current Food Services personnel revealed that while removing fried foods was perhaps a worthwhile effort, the District was not required to do so, nor was there a change in any regulations which required removing fried foods. Ms. Szoboszlay often cited federal regulations, safety issues, etc. as justification for her decisions and actions. During the workshop, the Superintendent indicated that at a later workshop/meeting staff would present the Board with additional information. Ms. Szoboszlay was scheduled to re-address the Board at a workshop on January 17, 2013, but due to family medical reasons, was unable to attend. The Supervisory Dietitian, the current Food Services Director, presented the information prepared by Ms. Szoboszlay. During the workshop, Board members asked several questions that the Supervisory Dietitian was unable to answer since many initiatives implemented during the 2012-2013 year were in their initial phases. **As such, we recommend current Food Services leadership address the School Board and summarize the changes in regulations that did occur, discuss their impact (nutritional, fiscal, meal count, etc.) on the District during the 2013 fiscal year, and provide details on any future plans.**

Recommendation #42
Regulations Impact

The District has been cited by DOE/DOA in numerous consecutive years for Food Services having excess net cash resources. For the 2012 fiscal year, the excess was \$2.04 million. Each year the Food Services and Food Services Accounting have developed a corrective action plan, but still end the fiscal year in an excess net cash resources position. Consequently, the District has received repeated audit findings. 7 CFR 210 requires the District to limit cash resources to three months of expenditures. The District should strive

Recommendation #43
Reduce Net Cash Resources

to comply with governing regulations, and take action to avoid repeat audit criticisms. **As such, we recommend Food Services and Food Services Accounting develop an achievable action plan to reduce net cash resources. This plan should be presented to the School Board, or if previously developed, the status of the plan should be presented.**

Recommendation #44
Equipment Replacement Cycle

As previously discussed, Ms. Szoboszlay did not seem to have an organized plan for the replacement of equipment at schools, which led to chaos in determining needs, developing specifications, installing, and disposing of equipment. While the 12 most “equipment needy” schools were determined, no overall plan was developed. Best practices dictate that an assessment is done of all equipment, and a thoroughly researched and discussed plan be developed. This practice has been successful in other Operations departments, such as Facilities’ roof replacement program and Maintenance’s HVAC master plan. **As such, we recommend Food Services, with the assistance of other Operations departments, conduct an organized District-wide needs assessment and develop an equipment replacement schedule/cycle. In addition, to ensure consistency throughout the District when building, replacing, or remodeling, we recommend Food Services develop model cafeterias, perhaps based on grade levels served.**

Recommendation #45
Model Cafeterias

Recommendation #46
Amounts Owed by Ms. Szoboszlay

Ms. Szoboszlay departed with certain items and amounts owed to the District. For instance, both of Ms. Szoboszlay children’s meal accounts had outstanding balances. Also, Ms. Szoboszlay was issued an iPad 3 by the District, which could not be located after her departure. When questioned by Human Resources, Ms. Szoboszlay provided a new un-opened iPad 2, which was opened, tagged for inventory purposes, and placed into use. Upon departure, employees are required to satisfy all obligations owed the District. **As such, we recommend the Food Services follow established practices for collection of amounts owed the District for Ms. Szoboszlay’s children’s outstanding meal account balances. The District should also determine if any action is required regarding receipt of the older iPad.**

Recommendation #47
Fictitious Meals Reimbursements

During the 2012 fiscal year, we conducted an investigation into allegations of misconduct of a high school cafeteria. The investigation revealed a fraud involving the entering of fictitious meals for students. Our analysis identified a minimum of 2,700 meals which were recorded, but not served. The District later received reimbursement through the NSLP for these meals. In our report, we recommended the District conduct further analysis to determine the full extent of the over-claim, notify DOE/DOA, and return the excess reimbursement. According to Ms. Szoboszlay’s email and discussions with current Food Services and Food Services Accounting personnel, DOE/DOA was verbally notified. DOE/DOA directed the District to provide details of the incident in writing. Ms. Szoboszlay failed to do so and, as of the date of this report, DOE/DOA has not been provided the requested information. **As such, we recommend Food Services and Food Services Accounting determine the extent of the over-claimed meals, draft the**

required written communication to DOA/DOE, and return any excess reimbursements received.

Note: Prior to the issuance of this report, the current Food Services Director notified DOA via letter of the over-claimed meals and requested direction on the matter.

Recommendations for Human Resources Services

During the investigation, Food Services personnel were approached by Operations leadership to discuss matters related to the investigation. We have experienced similar situations in numerous other investigations. Those involved in investigations are traditionally advised not to discuss the investigation with anyone while the investigation is active. When a supervisor, immediate or otherwise, approaches an employee about the investigation, the employee is faced with two tough choices. The employee can remain silent about any involvement he/she may have with the investigation, which could be seen as insubordinate, and may have potential future consequences. Conversely, the employee can discuss his/her involvement/knowledge against the advice of an investigator, which could jeopardize the investigation. Either situation is not fair to an employee and could prevent employees from coming forward in the future. In the "Reporting Improper Conduct" section of the Employee Code of Conduct the District prohibits retaliation against employees involved in investigations. The section does not specifically address communication between employees, regardless of supervisory status, during an active investigation. Guidance does exist related to criminal witness tampering, but is not relevant in most situations. **As such, we recommend the District develop communication guidelines to be provided to witnesses during the initial phases of an investigation.**

Recommendation #48
Communication During Investigations

Ms. Szoboszlay, an administrative employee, was not present at work on 16 known days, yet failed to turn in required leave. We estimated this time represented approximately \$5,906 in overpaid gross wages. This amount is less prior repayments by Ms. Szoboszlay. During the time Ms. Szoboszlay was not present at work, she received, responded to, and sent District email. Discussions with the Assistant Superintendent of Human Resources indicated that administrative employees are required to submit leave when not reporting to work and are expected to be accessible during leave times via telephone or email. Ms. Szoboszlay did not receive permission from the Superintendent or his designee to adjust her work schedule. **As such, we recommend Human Resources and Payroll determine the actual amount of overpaid wages and seek reimbursement from Ms. Szoboszlay.**

Recommendation #49
**Failure to Submit Leave/
Overpaid Wages**

A review of Ms. Szoboszlay's email indicated Food Services personnel did not always report to a District facility to work. She herself received, responded to, and sent District email, which could be considered a form of telecommuting, albeit unauthorized. Ms. Szoboszlay gave certain Food

Recommendation #50
Flex-time/Telecommuting Policy

Services personnel permission to work from home or other locations. They were not required to submit leave and were considered at work for pay purposes. School Board Policy requires administrative and professional personnel to work a minimum of eight (8) hours per day, and work schedules to be “approved in advance by the Superintendent.” This policy implies the use of flex-time is not permitted. In addition, the policy is silent on where and/or how the employee must work the 8 hours. The guidance from District leadership and the utilization of flex-time and/or telecommuting is widely inconsistent throughout the District, resulting in confusion and resentment. **As such, we recommend Human Resources research best practices in the utilization of flex-time and telecommuting and develop a policy to be adopted by the Board. Consideration should be given to actual current practice, whereby District administrators are empowered to approve short-term flexible working arrangements.**

Recommendation #51
Fraudulent Travel Claims

Recommendations for Finance and Business Services

Ms. Szoboszlay submitted local travel mileage reimbursement claims for days on which she did not travel on the District’s behalf. She submitted reimbursement for days which she was home sick and for days which she was not even in the state. F.S. 112.061(10) states, “any person who willfully makes a claim that he or she does not believe to be true and correct... is guilty of a misdemeanor of the second degree. Whomever shall receive an allowance or reimbursement by means of a false claim shall be civilly liable in the amount of the overpayment for the reimbursement of the public fund from which the claim was paid.” **As such, we recommend the travel experts in Finance review our overpayment calculations. Once reviewed, we recommend the District take necessary actions, including legal action if applicable, to recover any amounts owed from Ms. Szoboszlay.**

Recommendation #52
Decorations Policy with Limits

Food Services spent in excess of \$10,000 for decorations to improve the aesthetic of cafeterias. Although legally and technically allowed, these types of expenditures are controversial and often questioned as the best use of taxpayers’ dollars. Our office has experienced this issue numerous times in the past as it relates to decorating school offices or expending funds for promotions or public relations at the school level. Recognizing the sensitivity of such purchases, the District has taken proactive steps in the past to address certain issues by establishing guidelines and limitations. Such guiding principles exist for promotions and public relations expenditures. **As such, we recommend Food Services utilize Finance’s expertise to develop guidelines and limitations for expenditures made from Food Services funds to enhance the appearance of cafeterias.**

Throughout Ms. Szoboszlay’s tenure, Purchasing personnel attempted to guide her through various procurement policies and processes, including specification development, bid evaluation, purchasing card rules, purchase order requirements, vendor disputes, etc. Purchasing agents serve a vital role in most procurement processes throughout the District, except in

Facilities matters. Construction, remodeling, and repairs account for tens of millions of dollars of procurement of which Purchasing does not materially participate. While SOPs have been developed by Operations for bidding projects, Purchasing representatives, who are degreed, certified, and experienced in procurement best practices, are not present at these bid openings or bid evaluations.

One could argue that a vendor could protest a RFP/bid if the company felt the RFP/bid was not fairly awarded, and that Facilities-run procurement actions rarely result in bid protests. However, very few vendors will ever protest a RFP/bid for fear of being labeled as a “trouble-maker” and losing business as a consequence. Protests are generally considered lose-lose endeavors. The lack of bid protests should not be relied upon for assurance that the current process is without opportunity for improvement. The current process can create the perception that the process is closed, and hence subject to manipulation. **As such, we recommend a purchasing agent be present at all bid openings and bid evaluations throughout the District.**

Recommendation #53
Purchasing Agents at all Bid Openings and Evaluations

As previously mentioned, Food Services ordered smallwares and equipment without an authorized purchase order or while purchase orders were in the process of being approved. One reason this was allowed to occur was because of what we perceive as a flaw in the Skyward system. When desiring to make a purchase, District staff enters a requisition in Skyward. The requisition must go through several approval levels before a purchase order is considered approved and thus printed. However, according to Purchasing staff, once a requisition receives an initial approval, it is assigned a purchase order number. Skyward automatically emails the requisitioner the number and it is accessible in Skyward to a wide variety of personnel, including the requisitioner. The requisitioner can then, prior to the purchase order being batched and fully approved; provide the purchase order number to a vendor to initiate a purchase. This scenario resulted in numerous orders from Food Services being placed prior to purchase orders being fully approved. In some cases, items were ordered for which the requisition was denied at a later approval phase. **As such, we recommend Finance work with Skyward representatives to develop a solution that will either prevent the purchase order number from being generated upon initial approval, will hide the purchase order number until the last approval is granted, or will at a minimum delay the sending of the notification email until final approval has been granted.**

Recommendation #54
Hide P.O. Numbers until Fully Approved

During our review of the purchase orders for smallwares and equipment purchases, we noted what appears to be another flaw in the Skyward system. Ship dates on purchase orders were consistently prior to the purchase order date. For instance, a properly approved purchase order would be issued on October 25, 2012, but the ship to date was October 12, 2012; two weeks before the purchase order was ever issued. This scenario results in constant confusion with vendors and countless phone calls to/from

Recommendation #55
P.O. Ship To Dates

vendors to resolve the issues. According to Purchasing personnel, the ship to date is a manual entry during the requisition process, but defaults to the requisition date. Requisitions may not be approved for weeks, as Purchasing may be awaiting Board action or receipt of quotes. **As such, we recommend Finance work with Skyward representatives to develop a solution that will at a minimum result in the default date being the day of or day after the final approval and issuance of the purchase order.**

General Recommendations

Ms. Szoboszlay solicited vendors for donations to support meetings, disaster relief, and employee appreciation. School Board Policy prohibits employees from soliciting suppliers which might influence, or appear to influence, purchasing decisions. The subjective nature of the policy leaves it open to wide interpretation. Consequently, vendor solicitation occurs throughout the District, including at the McDaniel Building and Hall Center. The District's size, and its corresponding budget and purchasing power, make it attractive to any vendor. To most vendors, any donation to a potential client is meant to influence purchasing decisions. Ms. Szoboszlay was chastised for soliciting donations for employee appreciation. District personnel solicit vendors for donations for door prizes to our annual holiday luncheon. The merit of the cause, like the Board policy, is subjective. The allowance or disallowance of vendor solicitation is not consistently applied throughout the District. **As such, we recommend District leadership research best practices of vendor solicitation and develop guidance for employees that can be consistently administered and relied upon.**

Recommendation #56
Vendor Solicitation

Food Services participated in at least two known vendor rewards programs. These programs reward select purchases with points that can be redeemed for services and/or merchandise, similar to airline miles programs. As previously mentioned, the purchasing power of the District is enormous, with tens of thousands of transactions occurring each year. These transactions have the potential to result in vendor rebates, rewards, prizes, and incentives. The District does not have specific guidance for employees to rely upon in these situations. School Board Policy requires employees to consider first the interest of the Board and District in all transactions, but this guidance is general in nature. Prior to issuance of this report, Food Services has developed a SOP for the vendor reward programs in which it participates, but this SOP is applicable to Food Services only, and is limited to those type reward programs. **As such, we recommend District leadership research best practices of controls over vendor rebates/rewards programs and develop guidance for employees that can be consistently administered and relied upon.**

Recommendation #57
Vendor Rewards Programs

Food Services personnel forged each other's names when using purchasing cards. We have noted this practice in numerous audits we have performed throughout the District. It has traditionally been done as a matter of convenience, with no malicious intent. However, employees may not

Recommendation #58
Training on Forgery

understand the legal implications of forging signatures, making false statements, attesting to inaccurate/false statements, etc. In certain situations this practice could have serious ramifications. **As such, we recommend the General Counsel provide training/guidance to District leadership, which can be distributed to employees, that discusses the dangers of forging signatures/initials, making false statements, and attesting to inaccurate/false statements or information.**

The relationship between Operations and Finance, specifically Purchasing, is strained. We have noted this repeatedly in fieldwork for other projects done throughout the years. Each division is so focused on the importance of their roles that they fail to realize the value of the other's role. Operations must consistently deal with the problems of the District; an air conditioner requires repairs, a bus has a flat tire, a school isn't clean before an open house, etc. Finance has the responsibility of managing the funds that provide the resources so that the District can secure what it needs. They have developed a wide variety of processes to help ensure accountability to taxpayers, regulators, auditors, etc.

Recommendation #59
Relationship between Finance and Operations

Operations' "run until you're tackled" mentality frustrates Finance's goal of regulating the process through established controls. Finance's often strict adherence to the established controls is perceived as unhelpful and a refusal to be nimble in a dynamic environment. The end result is a cycle whereby Operations pushes/tests the limits and Finance attempts to tighten the reins, which forces Operations to push the limits further, and so on. The tension has affected the productivity of both divisions. **As such, we recommend District leadership work to repair the relationship between these two vital aspects of the District, neither of which can be successful without the other. Leaders in these areas need to address each other's' concerns, attempt to understand the importance of each other's roles, and find a way to productively move forward.**

Management Response

SCHOOL FOOD SERVICES AUDIT RESPONSE

The School District of Escambia County would like to thank the Office of Internal Auditing for their efforts. We recognize the extensive effort and work necessary in the production of the requested School Food Services Audit.

In the audit preface it states, *“Any recommendations included in this engagement are designed to improve operations and serve as the basis for informed discussions related to policies and procedures.”* The following audit response is submitted in that same spirit and intent.

The response is tabular with each finding, recommendation and associated ECSD action provided in recommendation order. Additional assertions made in the body of the audit that did not have an accompanying recommendation are also addressed either in related recommendation action items or in the separate table provided before the attachment appendices.

Several significant and relevant points warrant comment. It should be clear that this audit was conducted at the request of the Superintendent. The request was a proactive, not reactive step that clearly illustrates the Superintendent and District’s commitment to early intervention and corrective action as issues arose and became apparent. This commitment is further illustrated by the numerous action items where standard operating procedures were developed and implemented well in advance of this audit.

Second, it is important to recognize that although there are several noteworthy findings that have been brought to light by the circumstances leading up to this audit and the audit itself, the systems currently in place work. Although the District has existing internal controls which aid in identifying some misconduct, there remain many opportunities for additional controls, training and communication on new and existing protocols. Enhancement opportunities are always welcome and appreciated.

Finally, the District recognizes the value of an exhaustive audit and the opportunities for improvement that many of the recommendations present and is committed to continued improvement.

Finding	Recommendation #	Recommendation	Responsible Division/Dept	Action
<p>Ms. Szoboszlay's application package contained numerous discrepancies and ambiguities. These issues were not resolved prior to her interview or hire. The current Administrative, Professional and Instructional Personnel Interview Checklist includes a step to "review job description/develop questions," but is silent as to reconciling discrepancies in application documents. The interview checklist included in the Operations Division's standard operating procedures is extensive, but it is also silent as to this duty.</p>	1	<p>A standard interview checklist should be developed for use throughout the District. The checklist should include a step requiring intensive review of the application package and resolution of any discrepancies noted.</p>	HR	See HR Checklist Attachment 1
<p>The qualifications section of the job description for the Director of Food Services requires a Bachelor's degree in certain fields. Ms. Szoboszlay did not possess a Bachelor's degree in those fields. In addition, the job qualifications require a Master's Degree. Ms. Szoboszlay did not possess a Master's Degree. Although experience can sometimes substitute for education, as an educational organization, the District should place a high value on the educational qualifications of its leaders. Currently, candidates that do not meet the stated job qualifications for instructional and educational support are not approved for interview.</p>	2	<p>The District establish a policy whereby candidates are evaluated based on the stated job qualifications. We recognize situations will exist where an otherwise qualified candidate may not meet the stated qualifications. As such, we recommend, at a minimum, additional consideration and/or preference should be given to candidates that meet all of the stated qualifications.</p>	HR	Include instructions in Mastering the Hiring Guidelines workshop which will occur after FastTrack (Skyward) is implemented.
<p>Ms. Szoboszlay was interviewed via telephone. Although she was the number one choice of six of the seven interview committee members, one member ranked her sixth out of seven candidates. We discussed the interview with this committee member, who is a 19 year District employee, with 40 years of experience in procurement and supply chain management, including food and smallwares. He indicated it is difficult to assess a candidate from a phone interview and he had a general unease about Ms. Szoboszlay. Phone interviews can be impersonal and interviewers do not get the benefit of reading body language and other non-verbal cues. Positions of leadership merit personal interaction and face-to-face contact with interview committees.</p>	3	<p>The use of telephone interviews be discouraged for all administrative positions. In extreme situations virtual conferencing could be considered.</p>	HR	No action. Telephone interviews are only used when appropriate
<p>The current District background screening process is limited to questions related to criminal matters. In addition, the District conducts a FBI criminal history check. No form of credit check or financial review is performed. In her application documents, Ms. Szoboszlay disclosed a previous conviction related to theft. The offense did not rise to the level sufficient to exclude her from employment; what is commonly called a "Level 2 Offense." Publicly available records on Ms. Szoboszlay, which were secured during the investigation and our audit, revealed several financial matters which suggest a pattern of financial instability. This information was unknown when Ms. Szoboszlay was hired. Had the District been aware of these matters, it may have affected the decision to hire Ms. Szoboszlay, or affected the amount of control over financial decisions she was given, and/or how much oversight was necessary. Although some may argue credit history has nothing to do with job performance, the District has an obligation to taxpayers to ensure that proper due diligence has been performed to ensure employees are responsible and ethical. Many positions throughout the District oversee material amounts of funding, make substantial financial decisions, and/or exercise a significant amount of control over District resources.</p>	4	<p>A School Board Policy be developed that requires all candidates filling administrative or professional positions where they would exercise significant control over District resources be subject to credit checks, financial reviews, and/or bonding review. The District should work towards adopting this policy for current employees in those positions as well. The potential benefits of these checks/reviews far outweigh the costs.</p>	HR	Will work to develop policy to be included in SBR Chapter 2

<p>Ms. Szoboszlay was placed on the salary schedule at the highest step possible without School Board notification. This decision was based on "extensive experience." While we understand the desire to recruit the highest level talent and that often comes at a premium, when individuals are recruited from outside the District there is often little information to support that the person is a high performer worthy of an increased beginning salary. Ms. Szoboszlay did not meet the stated qualifications of the job description; however, her experience was presumably used to supplement her lack of other qualifications. It would not seem appropriate for this same experience to also serve as justification for a salary premium. This incentive should only be offered to individuals who meet the stated qualifications and who have documented performance, or when there is reliable knowledge of a candidate's experience/ qualifications. Inconsistently implemented, awarding of steps upon hire can breed resentment. Generally, employees should be required to "prove" themselves before being given a salary increase.</p>	5	<p>Initial steps only be awarded to those candidates that exceed the stated job qualifications. If necessary, step increases could be awarded after a probationary period and effectiveness has been proven.</p>	HR	<p>Current School Board Rule 2.04(4) is sufficient.</p>
<p>The Assistant Superintendent of Operations has a preexisting standard operating practice of assigning new administrators a mentor. He considers the nature, size, complexity, and number of employees in an area when considering a suitable mentor. Although this practice is only successful if the new administrator utilizes the relationship, it can be a valuable tool for new leaders, especially those new to the District. Although Ms. Szoboszlay failed to fully engage her mentor, it remains a best practice.</p>	6	<p>We recommend the District develop a procedure whereby all new administrators are assigned a successful District leader as a mentor.</p>	Dist.	<p>Concur with recommendation.</p>
<p>Food Services ordered approximately \$86,000 in smallwares from KESCO, despite smallwares purchases having been awarded to another vendor through the bidding process. Purchases continued to be made after Purchasing personnel met with Ms. Szoboszlay and she agreed to discontinue the practice. This practice was able to occur because these items were ordered verbally and paid via purchasing cards. Although Purchasing oversees administration of the purchasing card program, monitoring purchases is a function of Accounting Operations. When items are ordered via purchases orders, purchasing agents verify correct bidders are used, and items are ordered at competitively bid amounts; thus providing additional oversight</p>	7	<p>We recommend that all items awarded on competitively bid contracts be ordered through the purchase order process. The purchases can still be paid via purchasing cards to reduce the District's administrative burden and earn card rebates. This recommendation is not intended to limit the use of purchasing card payments, but to help ensure bid prices are paid. At a minimum, we recommend the District design procedures for cardholders to ensure bid prices are paid when purchases are made via purchasing cards.</p>	Fin	<p>Concur with auditor's minimum recommendation.</p>
<p>Food Services struggled with developing effective specifications to supply to Purchasing for RFPs. These failures resulted in a substantial amount of items that were not awarded. There does not appear to be a SOP advising Operations departments on best practice related to RFPs, including developing specifications.</p>	8 & 9	<p>We recommend Operations work with Purchasing to develop a SOP to govern the RFP process for all Operations departments. Any such SOP should require specifications to be reviewed by the Maintenance and Facilities Departments for consideration of warranty and serviceability issues. In addition, where applicable, we recommend Purchasing revise its "bid card file" and/or "bid routing sheet" to require Maintenance Department leadership to sign that they have reviewed RFP/bid specifications.</p>	Ops	<p>SOP to be created patterned after most recent equipment re-bid efforts where multiple departments and specific specifications were included as a part of the comprehensive process.</p>
<p>KESCO was given free access to kitchens to determine equipment needs and provide recommendations. In addition, KESCO provided specifications that were directly inserted into the RFP. These actions gave KESCO an unfair advantage throughout the bidding process. RFP/Bid solicitations prohibit communication once the RFP is issued; however, there is no guidance for communication during the planning/specifications development phase of the RFP. Although we recognize that District departments cannot cease communication with vendors, especially those that provide other goods or services outside of the potential RFP, communication that could give one vendor an unfair competitive advantage in any phase of the procurement process should not occur.</p>	10	<p>We recommend an SOP be developed regarding vendor access to District facilities and staff when the vendor is potentially bidding on upcoming RFPs. As such, we recommend a SOP be developed regarding vendor access to District facilities and staff when the vendor is potentially bidding on upcoming RFPs. At a minimum, administrators should be trained on allowable/disallowable communication during solicitation.</p>	Fin	<p>The District currently addresses the subject on Finance Attachment 1 - However, additional communication methods will be considered.</p>

<p>Food Services submitted specifications for 39 items to be included in the cafeteria equipment RFP. Only 1 approved brand/model was indicated as acceptable for 22 of the items. One vendor, KESCO, was awarded 16 of the 22 items (73%). This appears to be the result of KESCO providing specifications to be included in the RFP, and the approved brand/model being limited, thus limiting the bidding process to one vendor.</p>	<p>11</p>	<p>Purchasing reject any RFP/bid specifications that do not contain at least 2 approved brands/models. Exceptions can be made for previously unused items, items based on student preference (e.g. food), or if the District is attempting to standardize; however, any exceptions should be approved by both the Director of Purchasing and Assistant Superintendent over the area submitting the specifications.</p>	<p>Fin</p>	<p>The Florida Department of Agriculture specifically allows one brand bids as long as more than one vendor can provide product. Also, the District's standard language specifies that "an approved equal" is allowable for bid. Exceptions will be determined prior to bid.</p>
<p>Vendors often offer alternatives to the approved brands/models listed in a RFP. During the cafeteria equipment RFP, all alternatives were unilaterally rejected. While alternatives can be rejected for a variety of legitimate reasons, this process can also be manipulated to ensure an item is awarded to a preferred vendor. This process can be further complicated and/or manipulated when bid amounts are known prior to making the decision to accept or reject alternatives. Bid prices were provided to evaluation committee members prior to the determination of whether to accept or reject alternatives.</p>	<p>12</p>	<p>The decision to accept or reject alternatives be made separate and prior to evaluation committee members being provided bid prices.</p>	<p>Fin</p>	<p>Concur with the auditor's recommendation.</p>
<p>During the bid evaluation meeting, Ms. Szoboszlai determined that 20 of the 39 items would be grouped and awarded as lots. A total of 9 lots, each consisting of 2-3 similar items, were awarded. KESCO was awarded 5 of the 9 lots. The RFP General Terms and Conditions state that the District reserves the right to award items by lot. While we certainly agree with awarding by lot to promote consistency throughout the District, both is ease of use and repair, the decision to group items by lot should be determined during development of the specifications for the RFP. When decisions are made to group items during the bid evaluation meeting, especially if prices have been revealed, the process can be manipulated to ensure items are awarded to a preferred vendor.</p>	<p>13</p>	<p>The decision to group items should be made prior to an RFP being issued. Recognizing that exceptions may occur when it may be in the District's best interest to group items after that time, we recommend exceptions be approved by both the Director of Purchasing and Assistant Superintendent over the area submitting the specifications.</p>	<p>Fin</p>	<p>Lots are listed prior to evaluation committee review whenever possible. Exceptions will be approved by the Purchasing Director prior to bid finalization to the extent possible.</p>
<p>KESCO's bid submission for the cafeteria equipment RFP included an attached memorandum for each item bid. The memoranda included a statement that warranty work would "run through the KESCO service department." By awarding items to KESCO, it appears the District has accepted KESCO's contingent offer and is bound to use KESCO for all warranty work associated with that equipment. The standard General Terms and Conditions of RFPs do not currently state that the District reserves the right to reject the lowest bidder, should the District find any attached contingencies unacceptable.</p>	<p>14</p>	<p>Recommend adding a statement to the RFP General Terms and Conditions that explicitly states the District reserves the right to reject contingent offers.</p>	<p>Fin</p>	<p>Solicitations will state the District's right to reject contingent offers. The statement will be placed under "Special Conditions" as it is not applicable to all solicitations.</p>
<p>Warranty service is a lucrative business. There are several other warranty service vendors, including factory-trained vendors. At some time in the future if the District's relationship with KESCO deteriorates, or if we wish to utilize another vendor, we may be bound by our acceptance of the contingent offer discussed above.</p>	<p>15</p>	<p>Operations work with Purchasing and General Counsel to develop a waiver to be signed by KESCO and the District that would allow the District to utilize other warranty service vendor for equipment purchased under the RFP.</p>	<p>Ops</p>	<p>The District will research the implications of the proposed waiver.</p>

<p>Both prior to award and after, KESCO installed equipment throughout the District, at Ms. Szoboszlay's direction, without the issuance of an authorized purchase order. Her actions obligated the District outside the protections offered by the normal procurement process. Ms. Szoboszlay justified her action as responses to emergency needs; however, no emergency was declared, nor were subsequent emergency procurement procedures followed. At the direction of the Assistant Superintendent of Finance, the District later issued purchase orders after the fact to KESCO to allow for payment of these "unauthorized purchases." School Board Rules states, "No person, unless authorized to do so under Board policy, may make any purchase or enter into any contract involving the use of school funds; per 6A-1.012, F.A.C. no expenditures for any such unauthorized purchase or contract shall be approved by the Board. Unauthorized purchases will be reported to the Board for informational purposes only." The unauthorized purchases were not reported to the School Board.</p>	16	Finance provide the Board a list of the unauthorized purchases.	Fin	Concur with the auditor's recommendation.
<p>In addition, District leadership has chosen to interpret the section of the F.A.C that states, "no expenditures for any such unauthorized purchase or contract shall be approved by the Board" to mean that unauthorized purchases do not need to be presented to the Board for approval. It is unclear if the intent of the F.A.C. is that the Board should simply be notified, or if these purchases shall not be allowed.</p>	17	We recommend General Counsel research the issue and issue a legal opinion on the matter.	GC	
<p>KESCO installed equipment that was not installed per manufacturer's specifications. RFP specifications did not dictate how or what installation materials would be used. The General Terms and Conditions of the RFP state, "The bidder must comply with all applicable federal, state, & local laws, statutes, and ordinances." Although KESCO's installations were in compliance with local codes, the installations were not per manufacturer's specifications. Despite gas leaks in multiple schools, KESCO initially refused to initiate the necessary changes to the installation materials, citing that installations met code and were done at the direction of Ms. Szoboszlay. KESCO did agree to initiate the repairs once the factory-certified manufacturer's representative refused to certify the initial start-up of the equipment. Although it would have been morally questionable, KESCO would have been within its rights to refuse to make the repairs, as it had complied with the RFP specifications and operated under the direction of Ms. Szoboszlay.</p>	18	General Terms and Conditions or Special Conditions of the RFP be amended to include a statement that all installations should be done per manufacturer's specifications, unless otherwise noted in the RFP.	Fin	Concur with the auditor's recommendation. Such language will be added to "Special Conditions."
<p>Although KESCO eventually agreed to perform the necessary repairs, Maintenance personnel actually made the necessary repairs, with KESCO supplying the necessary material. The decision was made by Maintenance to ensure repairs were made in accordance with District standards/ preferences. After KESCO installations, the factory-certified manufacturer representatives refused to certify the initial startup of the equipment, and complete/submit the necessary paperwork to the manufacturer. At the time of our fieldwork, the representatives had not returned to certify the equipment.</p>	19	The effected equipment and their installations be certified by the manufacturer representatives	Ops	Concur with attempting to secure certification of equipment by manufacturer.
<p>There were a significant number of issues involving KESCO, including its relationship with Ms. Szoboszlay both before and after the cafeteria equipment RFP. According to the current Food Services Director, KESCO, at the direction of Ms. Szoboszlay, would invoice the District for certain items, but provide other items. The extent of all the issues is unknown. The RFP General Terms and Conditions include an Audit and Inspection clause which permit the District or its representatives to inspect and/or audit a bidder's documents and records as they pertain to products and services delivered under the RFP. To the best of the Director of Purchasing's knowledge, this right has never been exercised by the District, or any District of which he is aware.</p>	20	The School Board, in consultation with the Superintendent and District leadership discuss this audit, and determine the necessity of invoking the District's right to inspect and/or audit KESCO's records. At a minimum, a SOP should be developed to document a procedure for when to invoke this right, and a general guide on how it would be performed.	SB	Language in existing RFP protocol enables the District to invoke records inspection provisions. An additional SOP is unnecessary. Provisions are situationally dependent and can be readily invoked.

During our verification of the equipment provided by KESCO, we noted significant discrepancies in serial numbers per invoices compared to the actual pieces of equipment, including numerous instances where invoices failed to list serial numbers for capitalized equipment. Invoices are attached to District purchasing records and are invaluable when researching to determine the origin of equipment or for service issues, especially in situations where serial numbers on the equipment are illegible due to extreme use. There are currently no District rules/procedures that require suppliers to document serial numbers on invoices.	21	The RFP General Term and Conditions or Special Conditions be amended to include a statement requiring vendors to document on the invoice the serial numbers of equipment provided.	Fin	Language will be added to solicitations (where appropriate) requiring vendors to document on their invoices the serial numbers of equipment provided. Such language will be added to "Special Conditions."
Once a RFP/bid has been awarded, Purchasing involvement is traditionally limited to issuing purchasing orders, and perhaps mediating any problems with vendors. As such, the vendor may agree to the revised RFP terms, but fail to provide an invoice that includes the serial numbers.	22	Accounting Operations, prior to payment, ensure that all invoices for equipment purchases include serial numbers	Fin	Accounting Operations reviews invoices for completeness prior to payment. A review of equipment serial numbers will be specifically written into the accounts payable checklist.
We noted 70 instances of discrepancies between invoices and equipment when we conducted our verification of the equipment provided by KESCO. These discrepancies should have been recognized when the invoice was received and reviewed. There is not a School Board Policy requiring that invoices be reviewed and the review be documented. The DOE Procurement Policy Statement requires, "Purchases shall be checked and verified by designated staff to assure that all goods are received and prices are verified. All invoices and receipts shall be signed, dated, and maintained in the documentation file."	23	School Board Policy be amended to include a requirement that all invoices be reviewed for accuracy and completeness, and that the review be documented via signature/initials and date. This verification must be done by an individual directly involved with the purchase and goods/services received.	SB	Accounting Operations reviews invoices for completeness prior to payment. Recommendation will be added into the accounts payable checklist.
As previously mentioned, during our verification we noted serial number discrepancies on invoices for 70 items ordered through KESCO. Prior to issuance of this report, Purchasing personnel contacted KESCO to receive revised invoices. Currently, the original invoices are attached to the purchases in the Skyward system. As stated earlier, invoices are a valuable tool in conducting research. Purchasing personnel has provided the revised invoices to Accounting Operations for upload and attachment to the purchases. As of the time of this report, the revised invoices had not been uploaded and attached.	24	We recommend the revised invoices be uploaded and attached to the original purchases in the Skyward system	Fin	All appropriate documentation is uploaded into the accounts payable voucher file for recordkeeping and audit purposes. The revised invoices in question have also been stored into the electronic voucher file.
Food Services appears to have disposed of a significant amount of items which could have potentially been auctioned; thus causing the District to lose revenue. Each year, Internal Auditing receives paperwork explaining inventory losses that were the result of items being discarded without proper paperwork. District-wide, site administrators and employees are not fully aware of the District's disposal, re-use, and scrapping policies.	25	District raise awareness of the Surplus Operations shop and the established procedures for handling excess items. The logistical and staffing needs of the Surplus Operations area may need to be evaluated, and considered in relation to the current and anticipated revenues which are received from its efforts.	Ops	Concur with recommendation.
Despite the objections of the Surplus Operations Manager, Ms. Szoboszlai directed Food Services staff to crush and/or dispose of a significant amount of smallwares and equipment. Ms. Szoboszlai cited health, safety, or other issues as justification for her actions. For example, she first indicated 17 fryers were too old to be auctioned, but then suggested the fryers had been altered, so they were not permitted to be auctioned due to an unspecified rule/regulation. Once again, the Surplus Operations Manager objected, and responded that District equipment has always been sold at auction "as is."	26	We recommend Operations confer with General Counsel and/or DOE/DOA to determine the legitimacy of Ms. Szoboszlai's concern regarding altered equipment, and develop a SOP if necessary.	Ops	Surplus operations will continue to auction equipment in an "as is" condition. We do not condone alterations of equipment unless done by a factory representative with appropriate documentation supporting all alterations.

<p>When the Surplus Operations Manager spoke to the Assistant Superintendent of Operations, the Assistant Superintendent deferred to Ms. Szoboszlay's judgment, presumably due to her position and perceived experience as a "cognizant expert." Consequently, the fryers were scrapped, costing the District a significant amount of lost revenue, and diminishing the morale of the Surplus Operations Manager. When considering re-use, we agree that the opinion of cognizant experts should be heavily relied upon. However, we assert that the Surplus Operations Manager, with 13 years of experience in that position, is the cognizant expert of rules/regulations relating to disposal, scrapping, and auctioning.</p>	27	<p>We recommend that once the decision has been made that an item cannot be re-used, leadership should defer to the opinion of the Surplus Operations Manager.</p>	Ops	<p>Re-issuable surplus and scrap determinations are governed by Standard Operating Procedures. The surplus operations manager is intimately involved with all final disposal property disposition determinations. This practice will be enhanced through awareness training and improved dispute resolution language in the relevant SOP</p>
<p>Food Services personnel violated a wide variety of purchasing card policies and procedures, which are outlined in the District's Travel & Purchasing Card Manual. All cardholders are required to attend mandatory training prior to receiving their card. At that training, cardholders receive a copy of the Manual. All cardholders and the purchasing card manager in Food Services attended training. Despite training, Food Services personnel violated the policies and procedures set forth in the Manual.</p>	28	<p>All current cardholders and the purchasing card manager in Food Services attend refresher purchasing card training.</p>	Ops	<p>All School Food Services card holders were trained on July 10, 2013.</p>
<p>We noted the purchasing card manager in Food Services had attended training in 2007, when she was school-based. Cardholders and card managers are only required to attend purchasing card training when they first receive their card or when they are first assigned as a purchasing card manager at any location. Remedial training is not required when an individual changes positions/departments, even if the functions of the department differ greatly. Departments throughout the District utilize purchasing in different ways for many different purposes. In addition, the further a cardholder is away from initial training, the less is remembered about the policies and procedures, and the more reliant he/she is on the knowledge of others.</p>	29	<p>All cardholders attend remedial training at regular intervals of 3-5 years, or as a matter of course, training could be attended as cards expire and are reissued.</p>	Fin	<p>Purchasing card training is held at least on a monthly basis for new employees or those current cardholders who elect to attend a refresher course. It is currently being determined, for internal control purposes, whether mandatory training should be held for cardholders upon P-card expiration and prior to issuance of replacement cards. In addition, a video training module could be implemented for those cardholders who are unable to attend live training.</p>
<p>Each cardholder in Food Services signed a Cardholder Agreement form for their purchasing card. All District cardholders are required to sign the Agreement when they receive their card. The Agreement acknowledges receipt and reading of the District's Travel & Purchasing Card Manual and details consequences for not following established policies and procedures. Ms. Szoboszlay was in possession of her card for 5 months prior to signing her Agreement form. Ms. Szoboszlay failed to return her Agreement in a timely fashion, even after multiple requests. Current practice allows cards to be picked up by office staff, along with the Agreement form. The Agreement form is signed later and returned to Purchasing. The Purchasing Card Program Coordinator must pursue cardholders that do not immediately return their Agreement forms.</p>	30	<p>The Agreement form be signed at the mandatory purchasing card training required prior to card issuance. This process would ensure signed Agreement forms are on file prior to utilization of cards.</p>	Fin	<p>Concur with the auditor's recommendation.</p>
<p>In reviewing the narrative description entered into the Resolve system for purchasing card transactions by Food Services personnel, we noted many of the descriptions simply stated "goods" or "goods for cafeterias." These general descriptions are insufficient to understand and/or audit what was purchased, especially when receipts are not detailed or items on receipts are abbreviated or listed as product codes. The District's Travel & Purchasing Card Manual requires a description to be entered, but does not provide examples, or encourage purchasing card managers to provide detailed explanations.</p>	31	<p>We recommend the District's Travel & Purchasing Card Manual be revised to require more detailed narrative descriptions, and that this requirement be communicated to all purchasing card managers.</p>	Fin	<p>The issue is addressed in the Purchasing Card Handbook. This handbook will be incorporated into the Travel and Pcard Manual for consistency.</p>

<p>According to the current Food Services Director, KESCO, at the direction of Ms. Szoboszlay, would invoice the District for certain items, but provide other items. As previously mentioned, the DOE Procurement Policy Statement requires, "Purchases shall be checked and verified by designated staff to assure that all goods are received and prices are verified. All invoices and receipts shall be signed, dated, and maintained in the documentation file. This requirement applies to purchasing card transactions as well. The District's Travel & Purchasing Card Manual currently does not require invoices to be reviewed and the review be documented.</p>	32	<p>The District's Travel & Purchasing Card Manual be revised to require all purchasing card invoices/receipts be reviewed for accuracy and completeness, and that the review be documented via signature/initials and date.</p>	Fin	<p>The District's Travel and Pcard Manual addresses the Auditor's recommendation on Pages 8, 13 and 14. (See Finance - Attachment 2).</p>
<p>Several purchasing card transactions by Food Services personnel were made to the same vendor for the same type of items, but were shipped to different locations. The items are invoiced separately and charged separately, but appear to be part of the same order. The District's Travel & Purchasing Card Manual prohibits the splitting of charges to avoid transaction limits. It is unclear if ordering the same type of items from the same vendor, but having those items shipped to different locations is considered splitting charges. The Director of Purchasing acknowledged the ambiguity, but felt this scenario would be an example of splitting charges, and thus be a violation of policy. It is unclear if this has been effectively communicated to cardholders or purchasing card managers.</p>	33	<p>Finance make a definitive determination regarding this scenario, incorporate the guidance into the Manual, and communicate it to cardholders and purchasing card managers.</p>	Fin	<p>The issue is addressed in the Purchasing Card Handbook. This handbook will be incorporated into the Travel and Pcard Manual. Clarification of what constitutes a split purchase will be addressed and communicated.</p>
<p>Numerous purchases of smallwares made by Food Services personnel were shipped to the Food Services office. According to Food Services personnel, the items were then divided and distributed directly to school cafeterias. Traditionally smallwares are ordered and shipped to the Central Warehouse. Distribution of the items then follows the established process of being requisitioned, charged/coded to the location, and delivered. Inventory levels are maintained and accountability can be assured. There is not a current prohibition against procuring and distributing items out of a department; however, all departments are encouraged to utilize the Warehouse.</p>	34	<p>Operations leadership determine the preferred method of distribution and develop a SOP allowing or disallowing the direct distribution process. If allowed, the SOP should include guidelines to ensure accountability of inventory.</p>	Ops	<p>SOP will be created taking into consideration each department's unique purchasing and distribution requirements.</p>
<p>Several of Food Services personnel's purchasing card transactions contained elements which were questionable or not considered District norm and/or best practices, such as paying sales tax or fuel surcharges, or purchasing basic supplies from retailers. As a general rule, the District does not pay sales tax or fuel surcharges. In addition, Purchasing has established a purchasing portal where departments can easily order a wide-variety of supply items at competitively bid prices. Departments are also encouraged to utilize the District's Warehouse, which stocks a wide-variety of supplies.</p>	35	<p>Food Services personnel review the District's Travel & Purchasing Card Manual for established policies and procedures and best practices, including utilizing the purchasing portal and Warehouse.</p>	Ops	<p>Majority of office supplies are purchased through GCOP over the phone and from the warehouse (when available). Occasionally, specialty items are not available through GCOP and the warehouse. All non-standard purchases will be reviewed and approved by the director.</p>
<p>During this audit, and other audits/reviews recently performed, we noted that purchasing card "audits" performed by Accounting Operations personnel were not conducted in a timely manner. For Food Services personnel's purchasing cards, many months' transactions were not "audited" until 9-10 months after the transactions occurred, and on average were "audited" over 6 months after the purchases. We did note that one "auditor" consistently perform her "audits" on a timely basis. Purchasing card audits serve as a valuable detective control. They cannot stop fraud from occurring, but if done timely, they can assist in quickly identifying potential issues.</p>	36	<p>Accounting Operations take the necessary steps to perform "audits" in a timelier and consistent manner.</p>	Fin	<p>Accounting Operations was backlogged due to conversion year workload. The department is now current in its review.</p>
<p>It is unclear if the delays in performing purchasing card "audits" is routine, the result of the demands from the new Skyward software implementation, or due to other causes. Purchasing card transactions must continue to be reviewed in a timely manner, even during high-demand times.</p>	37	<p>We recommend "audits" be prioritized, perhaps based on total transactions amount, and in time of high demand those cards' transactions be "audited" first.</p>	Fin	<p>The p-card audit program will be reviewed and evaluated for possible improvements in efficiency and effectiveness.</p>

<p>Several of the purchasing card transactions that violated District policies and/or procedures and other questionable purchasing card transactions made by Food Services personnel were made during non-business hours. Purchases made after business hours are purchasing card fraud red flags. Investigating these transactions is standard practice in any purchasing card audit. Currently, during their "audit" of purchasing card transactions, Accounting Operations does not place any additional scrutiny on transactions made during non-business hours.</p>	38	<p>Accounting Operations' purchasing card "audit" procedures be revised to include steps to identify and conduct further analysis of purchasing card transactions made during non-business hours.</p>	Fin	<p>The p-card audit program will be reviewed and evaluated for possible improvements in efficiency and effectiveness.</p>
<p>Of the 26 monthly Audit Worksheets of purchasing card transactions audited by Accounting Operations personnel, the Problems section of 19 of the Audit Worksheets was blank, indicating either no problems were noted or that problems were found and their resolutions were not documented. Of the Audit Worksheets that did have writing in the Problems section, in the majority of cases, the section was only used to list transactions to help the "auditor" ensure a receipt had been included for each transaction. The procedures for conducting purchasing card "audits," as developed by Accounting Operations, dictate any issues requiring resolution "should be noted in the Problems section. With each issue, the date and description of the issue, along with any contact information should be noted. Once there is a resolution to the issue it should be documented. All items must be followed through resolution by the auditor." Given the numerous violations and questionable transactions made by Food Services personnel found during our audit, but not Accounting Operations', we question the effectiveness of their "audits."</p>	39	<p>Accounting Operations personnel continue to "audit" purchasing card transactions; we recommend they be trained in purchasing card audit best practices.</p>	Fin	<p>Concur with the auditor's recommendation.</p>
<p>The use of purchasing cards throughout the District continues to grow significantly each year. In fiscal year 2011, transaction reports indicated the District had \$5.70 million in purchasing card transactions. That amount increased to \$7.18 million in fiscal year 2012. In fiscal year 2013, District personnel initiated over 20,000 purchasing card transactions, totaling \$8.24 million. Although the District strives to establish effective internal controls, fraud will happen, even with the best controls. Many organizations have purchased software which allows for data aggregation, mining and analysis of not only purchasing card transactions, but other transactions like payroll payments and traditional payments made by checks to vendors. This software is readily available, affordable, and works across most software platforms.</p>	40	<p>District research the data mining capabilities of the Skyward system, and evaluate the need to purchase stand-alone data mining and analysis software.</p>	Fin	<p>The District agrees that this would be a worthwhile research project and may enlist the help of the Internal Auditing department to determine Skyward audit function capability.</p>
<p>Currently the "audits" of purchasing card transactions are performed by accounting specialists whose main job duties are to process invoices for payment. There are 6 individuals who "audit" both the administrative requirements of monthly reporting and the \$8 million of transactions. There are 20,000+ yearly transactions that occur across 450 different purchasing cards. That amounts to almost 1,700 transactions a month, or approximately 280 transactions per "auditor" per month. As use of purchasing cards continues to grow throughout organizations, including the District, many organizations have secured full and/or part time staff dedicated to providing continuous auditing of purchasing card transactions. These individuals are traditionally degreed, certified, and/or receive continuous training in current trends and best practices in fraud and purchasing card auditing.</p>	41	<p>Given the continued growth in number and total amount of purchasing card transactions processed by the District, we recommend the District consider staff whose main job duties are dedicated to auditing purchasing card transactions.</p>	HR	<p>The District considers and reviews all employee job responsibilities on a continuous basis and base staffing decisions accordingly.</p>

<p>During a School Board Special Workshop, Ms. Szoboszlay addressed the Board's concerns related to the change in menus. When specifically asked about fried food, Ms. Szoboszlay indicated that the District did not have a choice and was no longer allowed to fry foods. Research and discussions with current Food Services personnel revealed that while removing fried foods was perhaps a worthwhile effort, the District was not required to do so, nor was there a change in any regulations which required removing fried foods. Ms. Szoboszlay often cited federal regulations, safety issues, etc. as justification for her decisions and actions. During the workshop, the Superintendent indicated that at a later workshop/meeting staff would present the Board with additional information. It does not appear the additional information/presentation occurred, most likely due to the investigation and/or Ms. Szoboszlay's departure.</p>	42	<p>We recommend current Food Services leadership address the School Board and summarize the changes in regulations that did occur, discuss their impact (nutritional, fiscal, meal count, etc.) on the District during the 2013 fiscal year, and provide details on any future plans.</p>	Ops	<p>Food Services will provide a summary of changes and regulations.</p>
<p>The District has been cited by DOE/DOA in numerous consecutive years for Food Services having excess net cash resources. For the 2012 fiscal year, the excess was \$2.04 million. Each year the Food Services and Food Services Accounting have developed a corrective action plan, but still end the fiscal year in an excess net cash resources position. Consequently, the District has received repeated audit findings. 7 CFR 210 requires the District to limit cash resources to three months of expenditures. The District should strive to comply with governing regulations, and take action to avoid repeat audit criticisms.</p>	43	<p>Food Services and Food Services Accounting develop an achievable action plan to reduce net cash resources. This plan should be presented to the School Board, or if previously developed, the status of the plan should be presented.</p>	Ops	<p>Food Services has developed a plan annually. A copy of the current year's plan is included as SFS. Attachment 2.</p>
<p>As previously discussed, Ms. Szoboszlay did not seem to have an organized plan for the replacement of equipment at schools, which led to chaos in determining needs, developing specifications, installing, and disposing of equipment. While the 12 most "equipment needy" schools were determined, no overall plan was developed. Best practices dictate that an assessment is done of all equipment, and a thoroughly researched and discussed plan be developed. This practice has been successful in other Operations departments, such as Facilities' roof replacement program and Maintenance's HVAC master plan.</p>	44 & 45	<p>Food Services, with the assistance of other Operations departments, conduct an organized District-wide needs assessment and develop an equipment replacement schedule/cycle. In addition, to ensure consistency throughout the District when building, replacing or remodeling, we recommend Food Services develop model cafeterias, perhaps based on school level.</p>	Ops	<p>An equipment needs assessment will be conducted. Recent equipment purchases were based on needs assessment developed through repetitive inquiries with cafeteria management staff. Input was converted into prioritization and subsequent replacements. A more formalized comprehensive assessment will be conducted in the near future. Ferry Pass Elementary is currently the prototype elementary kitchen. A middle school prototype is in development as part of the new construction of Ernest Ward Middle. Escambia High School is the high school kitchen prototype.</p>
<p>Ms. Szoboszlay departed with certain items and amounts owed to the District. For instance, both of Ms. Szoboszlay children's meal accounts had balances due to their charging of meals. In addition, Ms. Szoboszlay was issued an iPad 3 by the District, which could not be located after her departure. When confronted, Ms. Szoboszlay provided the District with a new un-opened iPad 2, which was opened, tagged for inventory purposes, and placed into use. Upon departure, employees are required to satisfy all obligations owed the District.</p>	46	<p>We recommend Food Services follow established practices for collection of amounts owed the District for Ms. Szoboszlay's children's outstanding meal account balances. The District should also determine if any action is required involving the receipt of the older model iPad.</p>	Ops	<p>District practice for students moving out of district has been not to collect as cost associated with collection generally exceeds outstanding balances. As such, the school is generally responsible for paying outstanding balances from internal funds at the end of each year. The current charge policy prevents excessive charges by calling students daily that have a negative balance and limiting charges to \$6. With respect to the iPad recommendation, the disparity in models between the iPad 2 and 3 is of nominal value. An employee restitution SOP has been developed to prevent substitution issues in the future.</p>

<p>During the 2012 fiscal year, we conducted an investigation into allegations of misconduct of a high school cafeteria. The investigation revealed a fraud involving the entering of fictitious meals for students. Our analysis identified a minimum of 2,700 meals which were recorded, but not served. The District later received reimbursement through the NSLP for these meals. In our report, we recommended the District conduct further analysis to determine the full extent of the over-claim, notify DOE/DOA, and return the excess reimbursement. According to Ms. Szoboszlay's email and discussions with current Food Services and Food Services Accounting personnel, DOE/DOA was verbally notified. DOE/DOA directed the District to provide details of the incident in writing. Ms. Szoboszlay failed to do so, and as of the date of this report, DOE/DOA has not been provided the requested information.</p>	47	<p>We recommend Food Services and Food Services Accounting determine the extent of the over-claimed meals, draft the required written communication to DOA/DOE, and return any excess reimbursements received.</p>	Ops	Notification letter sent 9/10/13.
<p>During the investigation, Food Services personnel were approached by Operations leadership to discuss matters related to the investigation. We have experienced similar situations in numerous other investigations. Those involved in investigations are traditionally advised not to discuss the investigation with anyone while the investigation is active. When a supervisor, immediate or otherwise, approaches an employee about the investigation, the employee is faced with two tough choices. The employee can remain silent about any involvement he/she may have with the investigation, which could be seen as insubordinate, and may have potential future consequences. Conversely, the employee can discuss his/her involvement/knowledge against the advice of an investigator, which could jeopardize the investigation. Either situation is not fair to an employee and could prevent employees from coming forward in the future. In the "Reporting Improper Conduct" section of the Employee Code of Conduct the District prohibits retaliation against employees involved in investigations. The section does not specifically address communication between employees, regardless of supervisory status, during an active investigation. Guidance does exist related to criminal witness tampering, but is not relevant in most situations.</p>	48	<p>As such, we recommend the District develop communication guidelines to be provided to witnesses during the initial phases of an investigation.</p>	HR	Please see attached notice (HR #2) which will be disseminated to all employees involved with District investigations.
<p>Ms. Szoboszlay, an administrative employee, was not present at the District working on 15 known days, yet failed to turn in required leave. We estimated this time represented approximately \$4,576 in overpaid gross wages. This amount is less prior repayments by Ms. Szoboszlay. During the time Ms. Szoboszlay was not present at work she received, responded to, and sent District email. Discussions with the Assistant Superintendent of Human Resources indicated that administrative employees are required to submit leave when not reporting to work, and are expected to be accessible during leave times via telephone or email. Ms. Szoboszlay did not receive permission from the Superintendent or his designee to adjust her work schedule.</p>	49	<p>Human Resources and Payroll determine the actual amount of overpaid wages and seek reimbursement from Ms. Szoboszlay.</p>	HR	Concur with recommendation. In process, working with Internal Auditing to determine final amount with supporting documentation.

<p>A review of Ms. Szoboszlay's email indicated Food Services personnel did not always report to a District facility to work. She herself received, responded to, and sent District email, which could be considered a form of telecommuting, albeit unauthorized. Ms. Szoboszlay gave certain Food Services personnel permission to work from home or other locations. They were not required to submit leave and were considered at work for pay purposes. School Board Policy requires administrative and professional personnel to work a minimum of eight (8) hours per day, and work schedules to be "approved in advance by the Superintendent." This policy implies the use of flex-time is not permitted. In addition, the policy is silent on where and/or how the employee must work the 8 hours. The guidance from District leadership and the utilization of flex-time and/or telecommuting is widely inconsistent throughout the District, resulting in confusion and resentment.</p>	50	<p>Recommend Human Resources research best practices in the utilization of flex-time and telecommuting and develop a policy to be adopted by the Board. Consideration should be given to actual current practice, whereby District administrators are empowered to approve short-term flexible working arrangements.</p>	HR	<p>Will investigate best practices.</p>
<p>Ms. Szoboszlay submitted local travel mileage reimbursement claims for days on which she did not travel on the District's behalf. She submitted reimbursement for days which she was home sick and for days which she was not even in the state. F.S. 112.061(10) states, "any person who willfully makes a claim that he or she does not believe to be true and correct... is guilty of a misdemeanor of the second degree. Whomever shall receive an allowance or reimbursement by means of a false claim shall be civilly liable in the amount of the overpayment for the reimbursement of the public fund from which the claim was paid."</p>	51	<p>We recommend the travel experts in Finance review our overpayment calculations. Once reviewed, we recommend the District take necessary actions, including legal action if applicable, to recover any amounts owed from Ms. Szoboszlay.</p>	Fin	<p>Concur with the recommendation. Travel office will verify auditor's calculations based on audit data presented.</p>
<p>Food Services spent in excess of \$10,000 for decorations to improve the aesthetic of cafeterias. Although legally and technically allowed, these types of expenditures are controversial and often questioned as the best use of taxpayers' dollars. Our office has experienced this issue numerous times in the past as it relates to decorating school offices or expending funds for promotions or public relations at the school level. Recognizing the sensitivity of such purchases, the District has taken proactive steps in the past to address certain issues by establishing guidelines and limitations. Such guiding principles exist for promotions and public relations expenditures.</p>	52	<p>We recommend Food Services utilize Finance's expertise to develop guidelines and limitations for expenditures made from Food Services funds to enhance the appearance of cafeterias.</p>	Fin	<p>The investment of funds into cafeteria aesthetics is a reasonable method of enhancing participation and revenue. The level of investment is an issue that should be determined by the subject area experts in the Food Service Department. The Finance Department will assist and review as necessary.</p>
<p>Throughout Ms. Szoboszlay's tenure, Purchasing personnel attempted to guide her through various procurement policies and processes, including specification development, bid evaluation, purchasing card rules, purchase order requirements, vendor disputes, etc. Purchasing agents serve a vital role in most procurement processes throughout the District, except Facilities matters. Construction, remodeling, and repairs account for tens of millions of dollars of procurement of which Purchasing does not materially participate. While SOPs have been developed by Operations for bidding projects, Purchasing representatives, who are degreed, certified, and experienced in procurement best practices, are not present at these bid openings or bid evaluations. This process can create the perception that the process is closed, and hence subject to manipulation.</p>	53	<p>We recommend a purchasing agent be present at all bid openings and bid evaluations throughout the District.</p>	Fin	<p>The Finance Department will require a purchasing agent as an on-site moderator and recorder of the bid process on all such bid openings. Staffing concerns will be addressed as necessary to provide complete coverage.</p>

<p>As previously mentioned, Food Services ordered smallwares and equipment without an authorized purchase order or while purchase orders were in the process of being approved. One reason this was allowed to occur was because of what we perceive as a flaw in the Skyward system. When desiring to make a purchase, District staff enters a requisition in Skyward. The requisition must go through several approval levels before a purchase order is considered approved and thus printed. However, according to Purchasing staff, once a requisition receives an initial approval, it is assigned a purchase order number. Skyward automatically emails the requisitioner the number and it is accessible in Skyward to a wide variety of personnel, including the requisitioner. The requisitioner can then, prior to the purchase order being batched and fully approved; provide the purchase order number to a vendor to initiate a purchase. This scenario resulted in numerous orders from Food Services being placed prior to purchase orders being fully approved. In some cases, items were ordered for which the requisition was denied at a later approval phase.</p>	54	<p>Finance work with Skyward representatives to develop a solution that will either prevent the purchase order number from being generated upon initial approval will hide the purchase order number until the last approval is granted, or will at a minimum delay the sending of the notification email until final approval has been granted.</p>	Fin	<p>The Finance Department will consider this issue along with all other programming issues during its continuous evaluation of software enhancement needs. All programming needs are prioritized, submitted, and evaluated by associated costs and complexity of programming changes.</p>
<p>During our review of the purchase orders for smallwares and equipment purchases, we noted what appears to be another flaw in the Skyward system. Ship dates on purchase orders were consistently prior to the purchase order date. For instance, a properly approved purchase order would be issued on October 25, 2012, but the ship to date was October 12, 2012; two weeks before the purchase order was ever issued. This scenario results in constant confusion with vendors and countless phone calls to resolve the issues with vendors. According to Purchasing personnel, the ship to date is a manual entry during the requisition process, but defaults the requisition date. Requisitions may not be approved for weeks, as Purchasing may be awaiting Board action, or receipt of quotes.</p>	55	<p>Finance work with Skyward representatives to develop a solution that will at a minimum result in the default date being the day of or day after the final approval and issuance of the purchase order.</p>	Fin	<p>The Finance Department will consider this issue along with all other programming issues during its continuous evaluation of software enhancement needs. All programming needs are prioritized, submitted, and evaluated by associated costs and complexity of programming changes.</p>
<p>Ms. Szoboszlay solicited vendors for donations to support meetings, disaster relief, and employee appreciation. School Board Policy prohibits employees from soliciting suppliers which might influence, or appear to influence purchasing decisions. The subjective nature of the policy leaves it open to wide interpretation. Consequently, vendor solicitation occurs throughout the District, including at the McDaniel Building and Hall Center. The District's size, and its corresponding budget and purchasing power, make it attractive to any vendor. To most vendors, any donation to a potential client is meant to influence purchasing decisions. Ms. Szoboszlay was chastised for soliciting donations for employee appreciation. District personnel solicit vendors for donations for door prizes to our annual holiday luncheon. The merit of the cause, like the Board policy, is subjective. The allowance or disallowance of vendor solicitation is not consistently applied throughout the District.</p>	56	<p>District leadership research best practices of vendor solicitation and develop guidance for employees that can be consistently administered and relied upon.</p>	HR	<p>Concur with recommendation. HR - The subject is addressed in the Code of Ethics and Chapter 2. Other best practices will be researched and guidance documentation will be enhanced as warranted.</p>
<p>Food Services participated in at least two known vendor rewards programs. These programs reward select purchases with points that can be redeemed for services and/or merchandise, similar to airline miles programs. As previously mentioned, the purchasing power of the District is enormous, with tens of thousands of transactions occurring each year. These transactions have the potential to result in vendor rebates, rewards, prizes, and incentives. The District does not have specific guidance for employees to rely upon in these situations. School Board Policy requires employees to consider first the interest of the Board and District in all transactions, but this guidance is general in nature. Prior to issuance of this report, Food Services has developed a SOP for the vendor reward programs in which it participates, but this SOP is applicable to Food Services only, and is limited to those type reward programs.</p>	57	<p>District leadership research best practices of controls over vendor rebates/rewards programs and develop guidance for employees that can be consistently administered and relied upon.</p>	Dist	<p>Food Service employees are governed by "Rewards" SOP # 13-11-c1 (SFS. Attachment 4). Concur that other departments may have similar opportunities and a districtwide procedure patterned after the Food Services SOP will be considered.</p>

<p>Food Services personnel forged each other's names when using purchasing cards. We have noted this practice in numerous audits we have performed throughout the District. It has traditionally been done as a matter of convenience, with no malicious intent. However, employees may not understand the legal implications of forging signatures, making false statements, attesting to inaccurate/false statements, etc. In certain situations this practice could have serious ramifications.</p>	58	<p>General Counsel provide training/guidance to District leadership, which can be distributed to employees, that discusses the dangers of forging signatures/initials, making false statements, and attesting to inaccurate/false statements or information.</p>	GC	
<p>The relationship between Operations and Finance, specifically Purchasing, is strained. We have noted this previously in other projects done throughout the years. Each division is so focused on the importance of their roles that they fail to realize the value of the other's role. Operations must consistently deal with the problems of the District; an air conditioner requires repairs, a bus has a flat tire, a school isn't clean before an open house, etc. Finance has the responsibility of managing the funds that provide the resources so that the District can secure what it needs. They have developed a wide variety of processes to help ensure accountability to taxpayers, regulators, auditors, etc. Operations' "run until you're tackled" mentality frustrates Finance's goal of regulating the process through established controls. Finance's often strict adherence to the established controls is perceived as unhelpful and a refusal to be nimble in a dynamic environment. The end result is a cycle whereby Operations pushes/tests the limits and Finance attempts to tighten the reins, which forces Operations to push the limits further, and so on. The tension has affected the productivity of both divisions.</p>	59	<p>District leadership work to repair the relationship between these two vital aspects of the District; neither of which can be successful without the other. Leaders in these areas need to address each other's concerns, attempt to understand the importance of each other's roles, and find a way to productively move forward.</p>	Dist	<p>All District departments are committed to strengthening inter-departmental relationships.</p>

APPENDIX

SCHOOL FOOD SERVICES ATTACHMENTS

SOP #: 13-08-b2

Rev. Date:

I. Procedure Name: Purchasing Card Guidelines

II. Basic Procedure:

1. Refer to Escambia County School District
Travel & District Purchasing Card Manual
 - a. old.escambia.k12.fl.us/adminoff/finance/purchasing
2. Purchasing Card Transactions
 - a. Requester, fill out yellow request form. Include the Requesters name/signature, description and amount. (Enclosure 1)
 - b. Director sign form and return to requester.
 - c. Requester signs out their Purchasing Card from Admin. Secretary III (cards are kept in a locked file cabinet).
 - d. Items may then be ordered, using the purchasing card.
 - e. After items are ordered, purchasing card is returned and signed in with Admin. Secretary III.
 - f. Forms/invoices/receipts are attached to yellow request form and given to Admin. Secretary III.
 - g. When items are received, Admin. Secretary III will code and receive in RESOLVE.
 - h. End of Month, signature reports and bank statements are provided to the cardholder. Review report and bank statement. Verify that bank statement and signature report information is accurate. Sign and return to Admin. Secretary III.

III. Contingencies/Variations:

April 10, 2013

Ms. Tiffany Thompson
 Financial Compliance Specialist
 Florida Department of Agriculture and Consumer Services
 The Holland Building
 600 South Calhoun Street, Suite 120
 Tallahassee, Florida 32399

Ms. Thompson:

In response to your email received March 21st regarding the accumulation of our School Food Services department's net cash resources, we have made and/or plan on making the purchases listed below during SY12/13.

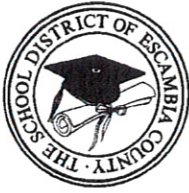
Purchase	Description	Approximate Expenditure
Retro Salary Adjustment	Retro salary adjustment for ESP employees back to July 1, 2012 , including benefits	\$108,000
Equipment	Purchase of new equipment and replacement of broken equipment	\$876, 000
Renovations	<ul style="list-style-type: none"> • Relocating serving line at 2 elementary schools • Hood and A/C for remaining kitchens without central air • Serving areas in 4 high schools 	\$ 39,700 \$563,000 \$100,000
Smallwares	Purchase of new smallwares and replacement of old smallwares	\$175, 000
Temperature Monitoring System	Systems to monitor the temperatures in the coolers and freezers at all school sites. This system will allow for online monitoring and alerts will be sent if a freezer or cooler goes out of the appropriate temperature range	\$300,000
	Total planned expenditures to reduce net cash resources	\$2,161,700

We hope that the above expenditures comprise an acceptable strategy for reducing our net cash resources to the acceptable level of three months average operating expenditures.

Thank you for your help in this regard.

Sincerely,

Jaleena Davis MS,RD
 Supervisory Dietitian
 Escambia County School District



"Making A Positive Difference"

THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

SCHOOL FOOD SERVICES DEPARTMENT

J. E. HALL EDUCATIONAL SERVICES CENTER

30 EAST TEXAR DRIVE

PENSACOLA, FL 32503, PH. (850) 469-5650

<http://www.escambia.k12.fl.us>

September 10, 2013

To: Lisa Church, Supervisor

From: Jaleena Davis, Director

RE: Internal Audit Findings-Non served meals claimed for reimbursement

It has come to my attention from internal auditing that the following issue was identified and needs to be reported to the Florida Department of Agriculture. I apologize for the delay in reporting, it was the district's intention to have the previous director submit it last summer.

*Interviews with THS cafeteria staff indicated they were provided lists of "free" students and instructed by the cafeteria manager to enter fictitious meals for those students, prior to any consumption of the meals. Analysis of data from the Food Service sales software indicates a disproportionate number of suspicious transactions at THS. In addition, a preliminary comparative analysis of student attendance records to student meal records indicates a significant number of both breakfast and lunch meals were recorded for students on days when they were not present at school. **Initial results support fictitious meals could be in excess of 2,700 meals (during SY10-11) for students who were not present. These figures do not include meals recorded by cashiers for students that were present at school but chose not to consume a meal, as it is impossible to determine the extent of those fictitious meals.**" These figures do not include charter school students served by THS or meals fictitiously recorded in the 2009-2010 or 2011-2012 years.*

Please accept this memorandum as official notification of this situation. To ensure this does not occur, Food Services is more closely monitoring meal counts, edit checks and supporting documentation. Please accept our sincere apology for these events. We will await your direction regarding potential reclaim of funds.

I. Procedure Name: Reward System

II. Basic Procedure:

1. For Food Service Rewards Program
 - a. Warehouse employees will remove the yellow food service reward stickers off the boxes of products included in the rebate/reward program
 - b. The yellow stickers will be sent to the food services office and the numbers will be keyed into the food service rewards website.
 - c. Once enough points are earned, dietitian will order rewards/give a ways for the students to be used during National School Lunch Week and National Breakfast Week.
 - d. All items received will be inventoried and securely stored by food services (Enclosure 1).
 - e. Documentation will be completed for who received the reward and how they were dispersed (Enclosure 2).
2. For Cool School Rewards Program
 - a. The dietitian in food services assigned to handle rewards will contact Food Services Financial Accounting for usage reports for the companies that participate in the program for that school year.
 - b. The dietitian will complete paper work and submit with the usage reports to Cool School.
 - c. Cool School will load in the points earned and the dietitian will order items to be used for rewards/give a ways for the students during National School Lunch Week and National Breakfast Week.
 - d. All items will be inventoried and securely stored by food services(Enclosure 1).
 - e. Documentation will be completed for who received the reward and how they were dispersed (Enclosure 2).

III. Contingencies/Variations:

1. None

HUMAN RESOURCES ATTACHMENTS

Administrative, Professional and Instructional Personnel Interview Checklist

School/ Department: _____

The advertising period for posting # _____ expired as of _____

Sequential Interview Check List (Check each section upon completion)

Contact EEA (476-2906) to request an Association representative (at least 2 days prior to the scheduled interview date) Was a Representative assigned? _____

Name of Association Rep: _____ (1 EEA Rep for Instructional Position)

Name of Association Rep: _____ (2 EEA reps if Supplemental position)

_____ Select and list other committee members: _____

Review job description/develop questions (Interview questions should be relevant to job requirements)

Review application packet for discrepancies

Contact applicants and schedule interviews

Review interview questions and scoring process with committee members

Conduct interviews and review scores (Note: District Seniority shall be considered if applicants are determined by the committee to be substantially equal)

Veterans' Preference points awarded

Interview Date: _____

Previous Employer Contacted

Committee Recommendation: _____ (Name of successful applicant)

Notify successful applicant

Complete and submit Instructional Appointment Request Form with this form (Interview Check List)

Notify unsuccessful applicants (Master Contract)

No selection made from this group of applicants- check this section and return this form to Human Resources

Request to Re-advertise (Send in Request to Advertise Form along with this form)

Principal/Department Head _____ Date _____

RETURN THIS FORM TO HUMAN RESOURCES UPON COMPLETION

Prohibition of Retaliation with an Escambia County School District Investigation

You have given a witness statement in an investigation being conducted by Escambia County School District. Escambia County School District Employee Code of Ethics addresses protection against retaliation as a result of your involvement. If anyone tries to influence, discourage, restrain or interfere with your cooperation with this investigation, they are in violation of the Code of Ethics. Please report any inference to Mr. Gary Marsh (Investigator), Dr. Alan Scott (Assistant Superintendent of Human Resources Services) or Mr. Norm Ross (Deputy Superintendent). Thank you for your cooperation.

REPORTING IMPROPER CONDUCT

School District employees shall protect students and safeguard the public's trust by reporting unethical, illegal or dangerous conduct to any supervisor with whom the employee feels comfortable or to the Assistant Superintendent of Human Resource Services. Supervisors who receive such information shall report the matter to the Deputy Superintendent or the Assistant Superintendent of Human Resource Services. This obligation to report misconduct arises whenever a School District employee has personal knowledge that another employee's conduct constitutes:

- a. a violation of the law or this code;
- b. gross mismanagement;
- c. a significant waste of funds;
- d. an abuse of authority;
- e. a substantial and specific danger to public health or safety;
- f. other conduct that could injure the reputation of the District or subject it to liability;
- g. affecting health, safety and welfare of students.

A School District employee shall not file frivolous or unsubstantiated complaints regarding misconduct of other employees, nor shall they abuse the process by which misconduct may be reported.

Employees may report violations of the law or this code to a hotline. The number is 439-2220. Specific complaints about an employee would require that the person filing the complaint be verified, thus requiring the person filing the complaint to provide their name. They would be protected under *Florida Statutes: §§112.3187, 39.203 and 768.095*

Complaints filed by or against a school, department or sub section of the School District would be investigated in accordance with *Florida Statute: §112.3189(5)(a)1.-6.*

Prohibition of Retaliation. School District employees shall not use or threaten to use official authority or influence to discourage, restrain or interfere with any other employee from reporting facts believed to constitute improper, unethical or illegal conduct nor shall they harass, punish or retaliate against any employee who has made a good faith complaint.



"Making A Positive Difference"

THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

75 NORTH PACE BOULEVARD
PENSACOLA, FL 32505
PH: 850/432-6121 • FAX: 850/469-6379
<http://www.escambia.k12.fl.us>

MALCOLM THOMAS, SUPERINTENDENT

September 4, 2013

The Honorable William "Bill" Eddins
Office of State Attorney
1st Judicial Circuit of Florida
190 West Government Street
Pensacola, Florida 32502

Dear Mr. Eddins,

The Escambia School District's Internal Auditor has recently completed a draft report which contains findings of possible criminal activity by the District's previous Director of Food Services. Once the report has been deemed complete and final, which is anticipated to be within the next seven to 10 business days, the document will be forwarded to your office. Upon receipt, I am requesting your office conduct a review of the material to determine if the audit findings necessitate further investigation and/or prosecution.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in blue ink that reads "Malcolm Thomas".

Malcolm Thomas

Copies to: School Board Members
Donna Waters, General Counsel
David Bryant, Office of Internal Auditing
Norm Ross, Deputy Superintendent
Gary Marsh, Investigator

FINANCE ATTACHMENTS

Recommendation #10, Page 53 - VENDOR CONE OF SILENCE

Our solicitations already contain passages such as:

“Ex parte communication, whether verbal or written, by any potential Proposers or representative of any potential Proposers to this RFP with District personnel involved with or related to this RFP, other than as expressly designated in this document, is strictly prohibited. Violation of this restriction may result in the rejection/disqualification of the Proposers’ proposal.

Ex parte communication (whether verbal or written) by any potential Proposers or representative of any potential Proposers to this RFP with District Board members is also prohibited and will result in the disqualification of the Proposers.

Any current contractor meetings with District custodial staff and administration, or instructional personnel shall be limited to disciplinary hearings involving custodial personnel or concerns from school-based administration; it being understood that at no time shall there be any conversation regarding the RFP. “

AND

“CLARIFICATIONS AND INTERPRETATIONS: The School District reserves the right to allow for clarification of questionable entries, and for the Bidder to withdraw items with obvious mistakes. Any questions concerning terms, conditions or specifications will be directed to the designated Purchasing Agent referenced on the RFP Acknowledgement. Any ambiguities or inconsistencies shall be brought to the attention of the designated Purchasing Agent in writing at least seven workdays prior to the opening date of the proposals. Failure to do so on the part of the bidder will constitute an acceptance by the bidder of consequent decision. An addendum to the RFP shall be issued and posted for those interpretations that may affect the eventual outcome of this bid. It is the bidder’s responsibility to assure the receipt of all addenda issued. No person is authorized to give oral interpretations of, or make oral changes to the RFP. Therefore oral statements given before the RFP opening date will not be binding. The School District will consider no interpretations binding unless provided for by issuance of an addendum. Addenda will be posted to the School District’s Purchasing website address at "[http://old.escambia.k12.fl.us/adminoff /finance/purchasing/](http://old.escambia.k12.fl.us/adminoff/finance/purchasing/)" at least five workdays prior to the opening date. The bidder shall acknowledge receipt of all addenda by signing and enclosing said addenda with their proposal.”

By virtue of the end user being involved in the creation of the solicitation they would know of such verbiage.

Also Purchasing Agents schedule any pre-bid meetings for potential bidders and the District end users. Site visits are usually conducted all at time so that no bidder is given an unfair advantage prior to the issuance of the bid/RFP. The District end users are instructed to forward all inquiries to the designated purchasing agent.

site, <http://www.inetracer.com> and review all charges to insure no errors are on the statement.

13. The Card Manager reconciles all purchases and credit activity to the Resolve system.
- ✱14. During the first week of each month, the Card Manager prints a signature page from the Resolve system. The signature page will contain a list of all transactions for the prior month. A statement for each Purchasing Card is then printed from Regions' web site. The total expenditures on these two documents must match. If they do not, Accounts Payable should be notified immediately. When the totals agree, the signature page is to be signed by the Card Holder and the Principal, Department Manager, or Director.
15. The signature page is then faxed along with the Regions' Bank statement(s) to the number on the signature page. These documents will then be stored in the Resolve system. The Card Manager files these forms with all associated vendor receipts.

G. RESPONSIBILITIES

Cardholder is responsible for the following:

1. Ensuring that sufficient budget is available before a purchase is made.
2. Completing the Request Purchase Utilizing Purchasing Card Form (Attachment D) and obtaining approval before making a purchase.
3. Buying only merchandise listed on the Request Purchase Utilizing Purchasing Card Form.
4. Informing vendor of tax-exempt status **PRIOR** to the purchase.
5. Requesting School District discounts.
6. Collecting and then submitting receipts to the Card Manager within one business day.
7. Receiving and promptly inspecting all ordered materials and services.
8. Reporting discrepancies to vendor.
9. Reporting lost, stolen, or compromised cards to the Card Manager immediately.
10. Identifying and handling disputed charges.
11. Checking the School Purchasing Card out and in the same business day, or next business day, unless other arrangements have been approved by the Principal, Department Manager, or Director.
12. Signing Monthly Bank Signature reports.
13. Complying with School District rules and procedures.

Card Manager is responsible for the following:

1. Holding and securing all Purchasing Cards and card numbers.
2. Obtaining the completed/approved Request Purchase Utilizing Purchasing Card Form (Attachment D) before checking out the card to the cardholder or placing the order via telephone or internet.
3. Reviewing monthly Cardholder statement(s).
4. Matching receipts with the charges displayed in the Resolve system.
5. Assisting in the handling of disputed charges.

12. **E-Mail Notification:** When a charge has been made against the District Purchasing Card or the Travel Card, both the Cardholder and the Card Manager will be notified via email by the Resolve system. If you are not receiving email notification, contact either the Purchasing Card Administrator or the Purchasing Card Coordinator at 469-6202. When this email notification is in place, loss due to fraudulent charges will be minimal to the District. Also, Regions Bank will notify the Cardholder via email when the monthly bank statement is available for review online.
13. **Funding:** The Card Manager should verify that sufficient funds are available prior to checking out a card and making a purchase.
14. **Card Inactivity:** Regions Bank will cancel District Purchasing Cards and Travel Cards if there is a period of inactivity of one year. The bank does not send out notifications when cards are canceled. Call the Purchasing Card Administrator at 469-6202 to find out if a card is active if in doubt of its status.
15. **Card Manager Change:** The Purchasing Card Administrator or Purchasing Card Coordinator should be notified immediately upon the change of a Purchasing Card Manager. Purchasing will then make appropriate changes in Inetracer and in the Resolve Software.
16. **Compliance:** Use of the Purchasing Card does not relieve the Cardholder from complying with Federal, State, and Local laws, as well as all applicable ordinances, regulations, and School Board Policies and Procedures, including Purchasing Policies and Procedures. A Cardholder may be required to substantiate the necessity or official use of a transaction. Misuse of the Purchasing Card shall be subject to the immediate payment of all improper charges by the Cardholder to the District and revocation of Purchasing Card privileges. Resolution of situations involving improper use of the Purchasing Card will be handled by the appropriate authority in accordance with School District Policies and Procedures. Misuse may result in penalties up to and including termination of employment.
17. **Questions:** Questions regarding the Purchasing Card Program should be directed to the Purchasing Card Administrator or Purchasing Card Coordinator at 469-6202. Questions regarding processing credit card charges in the Resolve system should be directed to Accounts Payable at 429-2917.

I. MONTHLY BANK STATEMENTS: DISTRICT & TRAVEL CARDS

* RECONCILIATION

1. The Bank will provide Cardholders with a monthly bank statement, via <https://www.card-data.com/RegionsCardManagementSystem/Security/Login.aspx> for verification of charges and reconciliation on the first week day of the month after the end of each billing cycle, which is the calendar month end. After going to the above website address, a logon screen will appear. The Cardholder's initial User ID will be the 16 digit card account number. The Cardholder's initial password will be the first two characters of the first name listed on the card, the first two characters of the last name, and the last four digits of the Purchasing Card Account Number. For example, if the card is issued to John Smith and the card number is 1234 5678 9012 3456, the initial password will be josm3456. The Card Manager's User ID will be their GroupWise user ID. The user ID must be 8

characters long. If the user ID is not 8 characters in length, 1's are added to the end. For example, if the GroupWise User ID is jsmith4, the User ID for Inetracer would be jsmith41. The initial password will be start111. Both the Cardholder and Card Manager will be directed to change their passwords upon initial sign on. The user password must be 8 – 20 characters and must contain at least two numbers.

2. Both the Cardholder and the Card Manger must verify receipt of goods for all purchases on the monthly bank statement.

PAYMENT

1. The vendor is paid by Visa/Regions Bank within 3 days of the receipt of goods or services.
2. Accounts Payable will pay a consolidated billing statement each month. Card Managers must code all charges in Resolve before the 5th of the month or as soon as possible. The School District retains the right to dispute a charge for a limited time, therefore if a need to dispute a charge occurs, contact the Purchasing Card Coordinator or the Purchasing Card Manager as soon as possible.

J. RESOLVING RETURNS AND CREDIT, DISPUTES AND ERRONEOUS CHARGES

DISTRICT & TRAVEL CARDS

1. The Cardholder must attempt to resolve problems directly with the vendor. The vendor must issue a credit for billing errors, sales tax, defective supplies or unacceptable services, returned supplies or canceled orders. This credit should appear on the Cardholder's statement within 60 days. Under no circumstances can the employee accept cash to settle a disputed amount.
2. If the Cardholder is unable to resolve the issue with the vendor, or Cardholder's credit does not appear on the monthly statement within 60 days, the Cardholder, with assistance from the Card Manager, should contact the Purchasing Card Coordinator or the Purchasing Card Administrator to resolve the matter. Purchasing will contact the bank and a case number will be issued. The bank will email Purchasing a Disputed Item Report (Attachment A). Purchasing will process the above mentioned form. Purchasing will notify Accounts Payable of the dispute.
3. When an account is in a dispute status, the disputed amount will still be included in calculating the available money for authorizations (Monthly limit). However, disputed items are removed from all finance charges, late charges, over-limit fees, past due amounts and payment calculations. Disputes must be brought to the Bank's attention promptly to avoid payment of finance charges or payment of improper unauthorized or erroneous amounts.
4. After the dispute has been filed, the Bank must research the transaction which may include requesting a copy of the sales draft when necessary.
5. If the problem is resolved between the merchant and the Cardholder while the item is in dispute, the Cardholder should notify the Purchasing Card Coordinator.