

The School District of Lee County



Consultant Contracts Audit A2-07

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CONSULTANT CONTRACTS AUDIT

I. EXECUTIVE SUMMARY

As part of the 2006-2007 Annual Audit Plan approved by the Lee County School Board, an operational and compliance audit was conducted on consultant contracts. The purpose of this audit was to ascertain that internal controls exist to ensure:

1. The most current Consultant Contract form is being used;
2. The Consultant Contract form is fully completed;
3. The Consultant Contract is approved and dated by all parties prior to services being rendered;
4. LCSD and consultant are in compliance with all provisions of the Consultant Contract;
5. Payments to consultants are made based on adequate supporting documentation; and
6. The consultant contract processes are performed in an efficient and effective manner.

Consultant contracts define the important legal responsibilities and obligations in the event of disputes and litigation. Unless contracts are sufficiently detailed, require specified deliverables of the consultant, and establish a quantity of service as a basis for payments, the District's ability to ensure satisfactory completion of the agreed upon work within specified time frames is limited. Furthermore, if the written contracts are not signed by all parties, there is an increased risk that the District may not be able to enforce its contractual rights or comply with the State background screening law that is required to be performed prior to services being rendered (per the LCSD contract language due to the Jessica Lunsford Act).

The audit entailed reviewing a sample of 36 consultant contracts initiated in the 2006/2007 fiscal period. Identified during the audit planning was that a written District standard operating procedure ("Process Document") was not in place to ensure all District staff followed a standard procedure for initiating and monitoring consultant contracts. Additional findings noted during the audit testing included: several outdated versions of the contract form were still being used; several contracts were not fully completed to clearly outline the contract terms; numerous occurrences of consultant contracts were reviewed and approved either during or after the services were rendered; numerous background clearance checks occurred either during or after the services were rendered; and adequate supporting documentation (i.e. invoice) was not provided with the payment request (P.O. & contract) as verification that services were satisfactorily rendered and complied to contract terms.

To address these audit findings, the following five (5) recommendations were provided to strengthen internal controls and reduce the risks identified in this audit.

1. Use the most current consultant contract form and discard all outdated forms.
2. Create a "Process Document" for the consultant contract initiating and monitoring processes.
3. Revise Consultant Contract form to better conform to newest 2007 legislative laws (i.e. updates to the Jessica Lunsford Act).
4. Ensure Principals / Directors and Consultants clearly define the terms of the contract in order to ensure compliance by both parties.

5. Ensure Principals and Directors verify supporting performance documentation to consultant contract terms before submitting all documentation for payment.

At the conclusion of the audit testing, the School Board Internal Audit Office requested the Superintendent provide a written response/action plan that addressed each of the audit findings and recommendations. Five of five recommendations have been “accepted with implementation pending” until August 2007 when the new school year begins. The School Board Audit Office has accepted the Superintendent’s responses/action plan with a condition that an audit follow-up would be conducted during the next semi-annual follow-up cycle to ensure the action plan items have been fully implemented.

At this time, the School Board Audit Office would like to thank the Department of Professional Standards & Equity staff and the School Board Attorney for providing their time, insight, and cooperation during the audit process to diligently address these audit issues in a timely and professional manner.

II. BACKGROUND

A “Consultant Contract” is used when professional services are needed for District operations. The manual “T” purchase order is used for processing consultant contract payments. “T” purchase orders used for this type of payment are assigned an additional suffix “A” to the P.O. number and the purchase order is coded to the 310.00 “Professional and Technical Services” object code per the established Florida State mandated DOE accounting standards. Before payment is made, the Financial Accounting Department requires 1) an approved “T” purchase order, 2) a copy of the approved consultant contract, and 3) an approved invoice or other documentation delineating the services rendered.

As stated in School Board Policy 5.04, Fingerprinting and Background Screening, “A background screening shall be conducted of all instructional and non-instructional employees; contractual personnel¹; student teachers; teacher assistants or persons obtaining short-term teacher experience pursuant to §1004.04; and, substitute teachers in accordance with this regulation and applicable State and federal laws. This screening shall include, but is not limited to, fingerprinting and a review of any resulting criminal history. All employees and other persons subject to this regulation shall undergo the background screening prior to receiving any salary or other compensation or being allowed on School District property to provide services. Any criminal history resulting from fingerprinting shall be reviewed against

¹ Contractual personnel – any vendor, individual or entity under contract with the School Board who are permitted access on school grounds when students are present, who have direct contact with students or who have access to or control of school funds. All persons being fingerprinted pursuant to this regulation shall pay the required fee for fingerprinting. The administrative fee set by the Florida Department of Law Enforcement (FDLE) for maintaining all fingerprints taken pursuant to this rule and §1012.32, F.S., shall be borne by the District except with regard to contractual personnel who shall be responsible for this fee themselves.

the Level 2 screening standards established in section 435.04², Florida Statutes. If any other person required to be screened pursuant to this rule fails to meet the appropriate guidelines, said person shall not be allowed on School District property for purposes of providing services or serving an internship.”

III. AUDIT SCOPE and OBJECTIVES

The audit scope consisted of selecting 36 consultant contracts and their related supporting documentation that originated in the fiscal 2006-2007 period. Audit testing was conducted to ascertain that the District’s consultant contract initiating and monitoring processes are in compliance to State and District laws and regulations pertaining to Board Policy 5.04 and Florida Statute 435.04 and that the consultant contract processes are performed in an efficient and effective manner.

The audit objectives were to determine the District has internal controls in place to ensure:

1. The most current Consultant Contract form is being used;
2. The Consultant Contract form is fully completed;
3. The Consultant Contract is approved and dated by all parties prior to services being rendered;
4. LCSD and consultant are in compliance with all provisions of the Consultant Contract;
5. Payments to consultants are made based on adequate supporting documentation; and
6. The consultant contract processes are performed in an efficient and effective manner.

IV. AUDIT RESULTS - CONSULTANT CONTRACTS

The following is a detail of the audit findings, recommendations and management responses. The audit results address where enhancements should be made to increase operational efficiency, effectiveness and compliance to State and District laws and regulations as they relate to consultant contracts.

FINDING 1: The current Consultant Contract form is not consistently being used.

- A) The consultant contract form has been modified several times over the years to include any new requirements mandated by State Statutes (i.e. Jessica Lunsford Act) or other District policies. The most current version (8/06) and the previous version (8/05) had been modified to include new language that states, **“This agreement must be signed and approved. The vendor/consultant must be fingerprinted prior to performing**

² 435.04 Level 2 screening standards. -- (1) All employees in positions designated by law as positions of trust or responsibility shall be required to undergo security background investigations as a condition of employment and continued employment. For the purposes of this subsection, security background investigations shall include, but not be limited to, fingerprinting for all purposes and checks in this subsection, statewide criminal and juvenile records checks through the Florida Department of Law Enforcement, and federal criminal records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

services for the School District of Lee County”. This new contract language along with an additional sign-off line for the Department of Professional Standards & Equity was incorporated into the contract form in order to ensure a background clearance was completed prior to services being rendered as mandated by the Florida “Jessica Lunsford Act” ratified in 2005. As a result of the various contract modifications made over the years, there are still several versions (5/02, 10/03, 8/05, 8/06) of the Consultant Contract form in circulation and being used throughout the District.

- B) The SW FL Criminal Justice Academy does not use the District’s standard consultant contract form. Instead, they use their own version which does not include the new language or a specific sign-off line for the Department of Professional Standards & Equity.

The exceptions noted during the audit are as follows:

1. Six (6) of 36 or 17% of the sample tested used out-dated versions of the form MIS 481, “Consultant Contract” in lieu of using the up-dated version (with the added language).
2. Three (3) of 36 or 8% of the contracts sampled were issued using the SW FL Criminal Justice Academy’s version of the consultant contract.

Although these other versions of the consultant contract form do not include a specific sign-off line for the Department of Professional Standards & Equity (indicating they conducted a background check prior to services being rendered), all 9 consultant contracts had been reviewed by the Department of Professional Standards & Equity. However, by the time they received them; the services had already begun or had been fully rendered.

RECOMMENDATION: Use the most current consultant contract form and discard all outdated forms.

In order to ensure a background clearance is completed prior to services being rendered, the most current consultant contract version (8/06) should be used for consulting services rendered on or after September 2006. The departments and schools should be instructed to discard all outdated consultant contract forms immediately. For consistency, the SW FL Criminal Justice Academy should also use the district’s standard consultant contract form.

FISCAL IMPACT: These recommendations can be accomplished within existing resources.

MANAGEMENT RESPONSE to FINDING 1 RECOMMENDATION:

Accepted with implementation pending. Currently, the Consultant Contract form is under revision with specific recommendations for change. The Department of Professional Standards & Equity will send out a memo to all District staff during August 2007 (when all staff return) and request that all previous Consultant Contracts be thrown out and the latest version be used. This information will also be communicated to the Printing Department.

AUDITOR COMMENT:

By waiting to implement this recommendation until August 2007, the same risk exists that older versions of the consultant contract could be used resulting in the same type of findings noted in this audit. It would be prudent to immediately inform the 255 day staff and Justice Academy, who work throughout the year, to use only the 8/06 version of the consultant contract form and discard the older versions until the latest revised version is released in August.

FINDING 2: The current Consultant Contract form is not consistently being fully completed.

Consultant contracts define the important legal responsibilities and obligations in the event of disputes and litigation. Unless contracts are sufficiently detailed, require specified deliverables of the consultant, and establish a quantity of service as a basis for payments, the District's ability to ensure satisfactory completion of the agreed upon work within specified time frames is limited. Furthermore, if the written contracts are not signed by all required parties, there is an increased risk that the District may not be able to enforce its contractual rights or comply with the State background screening law that is required to be performed prior to services being rendered (per the LCSD contract language due to the Jessica Lunsford Act). The exceptions noted during the audit are as follows:

1. Eighteen (18) of 36 or 50% of the consultant contracts were not fully completed in all required fields. Of the 18 incomplete contracts, one contract was missing the entire "description of contracted services"; yet the consultant was paid \$4330.00. This same contract was also missing the consultant's signature and date.
2. Three (3) of 36 or 8% of the consultant contracts were missing the signature of the approver.
3. Four (4) of 36 or 11 % of the consultant contracts were missing the signature of the consultant.
4. One (1) of 36 or 3% of the consultant contracts was missing the signature of the Director/ Principal as recommender.
5. Seventeen (17) of 36 or 47 % of the consultant contracts were missing the date signed by one or more parties. Of the 17 contracts, one contract was missing the required dates for all four required signing parties.

RECOMMENDATION: Create a "Process Document" for consultant contract process.

To ensure greater compliance in initiating a fully completed consultant contract and obtaining the proper review and approval prior to services being rendered, a "Process Document" outlining the full consultant contract process (currently, a process document exists for the fingerprinting procedure only) should be implemented and distributed to all Department Heads and Principals as a document to adhere to.

FISCAL IMPACT: These recommendations can be accomplished within existing resources.

MANAGEMENT RESPONSE to FINDING 2 RECOMMENDATION:

Accepted with implementation pending. The current Consultant Contract Process Document is being revised. During August 2007, the Department of Professional Standards & Equity will attend Principal's meetings to inform them of the new changes to the Jessica Lunsford Act and provide them with the revised Consultant Contract process document and additional resources to aide them with fingerprinting questions. In addition, during August 2007, all District staff will be provided a "how to manual" to assist them with consultant contracts.

FINDING 3: Consultant Contract is not consistently being approved and dated by all parties prior to services being rendered.

Consultant contracts define the important legal responsibilities and obligations in the event of disputes and litigation. If a contract is not fully reviewed and approved prior to services being rendered, there is an added risk to the District that services rendered may not align with the terms of the approved contract. The exceptions noted during the audit are as follows:

1. One (1) of 36 or 3% of the consultant contracts stated the date of services rendered as “June 26, 27 & July 25, 2003”. However, the contract was signed by all parties in July 2006 with no correction to the service date year.
2. Twenty-one (21) of 36 or 58 % of the consultant contracts, were signed after services began or were fully rendered.
3. All 36 consultant contracts sampled (100%) had eventually been routed through the Department of Professional Standards & Equity for the required background check. However, 18 of 36 or 50% were reviewed after services began or were fully rendered.

RECOMMENDATION: Revise Consultant Contract Form.

To ensure greater compliance to the State law and District policy, schools and departments need to initiate and route the consultant contract to the Department of Professional Standards & Equity on a timelier basis so that the required fingerprinting and background screening can be completed prior to services being rendered. To help expedite this process, the current contract form should be revised to include more specific language that identifies whether the consultant will be permitted access on school grounds when students are present, have direct contact with students, or have access to or control of school funds. This revision to the contract form could help the Department of Professional Standards & Equity more effectively identify which consultant contracts are a top priority in expediting the required fingerprinting and background screening workload.

FISCAL IMPACT: These recommendations can be accomplished within existing resources.

MANAGEMENT RESPONSE to FINDING 3 RECOMMENDATION:

Accepted with implementation pending. Currently, the Consultant Contract form is under revision with specific recommendations for change. There will be specific language in the contract that instructs employees to ensure consultant contracts are approved and dated by all parties prior to services being rendered. The Department of Professional Standards & Equity will send out a memo to all District staff during August 2007 (when all staff return) and request that all previous Consultant Contracts be thrown out and the latest version be used. This information will also be communicated to the Printing Department.

FINDING 4: LCSD and/or the consultant are not consistently in compliance with all provisions of the Consultant Contract.

Consultant contracts define the important legal responsibilities and obligations in the event of disputes and litigation. The lack of clear contract terms limits the District’s ability to ensure satisfactory completion of the agreed upon terms prior to payment being made.

The following exceptions noted below point out instances of noncompliance to contract terms or discrepancies between the consultants’ invoicing methods compared to the consultant contract language (i.e. lump sum vs. daily rate or session rate).

1. A consultant contract stipulated four days at \$1,100/day plus travel reimbursement. The approved invoice and payment were for three days at \$1,100 and one day at \$1,500 plus related travel expenses. No language was found in the contract terms to support the additional \$400 charge on the invoice.
2. A consultant contract with an original lump sum amount of \$3500 (for five days stipulated in contract) was later changed by the Principal (by scratching out the typed in amount of \$3500 and manually writing in \$2800) before submitting with the purchase order (also manually changed by the Principal) for payment. The contract did not define a per diem rate only the lump sum amount. Thus, it appears that the consultant performed only four days of the five day contract (for \$700 a day) and did not fully comply with the terms of the contract.
3. A consultant contract stated “writing strategies” as the services to be rendered over a period of five days for a lump sum amount of \$5250; the terms did not specify how this was to be performed. Later, the consultant sent several invoices to the District for seven “reading workshops” at \$750 each that occurred over those same five days. The contract did not define a session rate only the lump sum amount and number of days.
4. A consultant contract was missing the entire “description of contracted services” as well as the consultant’s signature yet the contract was approved. Payment was later made for \$4330 because the purchase order (generically stating the purpose as “training”) was signed by the consultant. However, a “description of contracted services” still was not provided since an invoice or other performance documentation was not provided by the consultant. Further review of this vendor’s numerous other consultant contracts made with the District indicated that the consultant sporadically sent invoices to the District for the other consultant contracts.

RECOMMENDATION: Principals / Directors and Consultants should clearly define the terms of the contract in order to ensure compliance by both parties.

To help ensure consistent adherence to 1) contract terms and to 2) provide better supporting documentation prior to payment being made,

1. Principals / Directors and consultants need to ensure the consultant contract’s “service description” contains adequate detail of the terms to ensure compliance by both parties before payment is made.
2. Consultant contracts, especially those using “lump sum rates”, should include either a daily rate or session rate if the consultant will be billing in that manner.

FISCAL IMPACT: These recommendations can be accomplished within existing resources.

MANAGEMENT RESPONSE to FINDING 4 RECOMMENDATIONS:

Accepted with implementation pending. In August 2007, all District staff will be provided a “how to manual” to assist them with consultant contracts. During the consultant contract training and in the training manual there will be instructions for employees to ensure they are providing supporting documentation that conform to the consultant contract terms before submitting contracts for payment.

FINDING 5: Payments to consultants are not consistently made based on adequate supporting documentation.

Contracts define the important legal responsibilities and obligations in the event of disputes and litigation. Lack of adequate supporting documentation limits the District's ability to ensure satisfactory completion of the agreed upon contract terms. It is District procedure that before payment is made, the Financial Accounting Department receives:

- 1) an approved "T" purchase order,
- 2) a copy of the approved consultant contract, and
- 3) an approved invoice or other documentation delineating the services rendered.

The audit results indicated that 12 of 36 or 33 % of the consultant contracts paid did not have an invoice or other supporting documentation submitted with the contract and purchase order to substantiate that services had been satisfactorily rendered per the contract terms.

RECOMMENDATION: Principals and Directors should ensure the consultant is providing supporting documentation before submitting documentation to Financial Accounting for payment.

To help ensure consistent adherence to contract terms and identify whether the consultant performed the agreed upon procedures before payment is made, Principals / Directors should request proof (i.e. invoices, time records, attendance records) of consultant's completion of services rendered; whether by invoice or other documentation, before submitting required documentation to Financial Accounting for payment.

FISCAL IMPACT: These recommendations can be accomplished within existing resources.

MANAGEMENT RESPONSE to FINDING 5 RECOMMENDATION:

Accepted with implementation pending. In August 2007, all District staff will be provided a "how to manual" to assist them with consultant contracts. During the consultant contract training and in the training manual there will be instructions for employees to ensure they are providing supporting documentation that conform to the consultant contract terms before submitting contracts for payment.