

**Miami-Dade County Public Schools  
Office of Management and Compliance  
Audits**



**AUDIT OF SELECTED SPECIAL  
EDUCATION SERVICE CONTRACTS**



Agency billings indicated that the total the District paid to the agencies was less than the total amount billable. Payment terms need to be clearly defined to more readily facilitate the contract's enforceability and implementation. The payment process is inverted; whereby SPED staff instructs the agencies on the amount to invoice the District as opposed to the agencies providing an independently generated invoice for the services provided.

December 2012

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**THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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Superintendent of Schools

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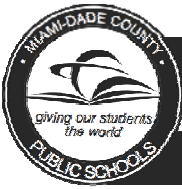
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# Miami-Dade County Public Schools

*giving our students the world*

**Superintendent of Schools**  
**Alberto M. Carvalho**

**Chief Auditor**  
**José F. Montes de Oca**

**Miami-Dade County School Board**  
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**Dr. Marta Pérez**  
**Raquel A. Regalado**

November 28, 2012

Members of The School Board of Miami-Dade County, Florida  
Members of the School Board Audit and Budget Advisory Committee  
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

As requested by the Superintendent of Schools, we have performed an audit of select special education (SPED) service contracts from July 2010 to April 2012. The objectives of the audit were to determine whether these agency service contracts were duly executed; whether the terms of service contracts adequately delineate service deliverables; whether funds expended are in agreement with payment terms of service contracts and are adequately supported by sufficient documentation; whether proper management and internal controls are in place over the service delivery; and to assess contract compliance and the possibility of overcharges by the service providers.

Our audit concluded that, in total, the amount paid (\$1.6 million) by M-DCPS was less than the total amount billable, as calculated by us, by approximately \$66,000 or 4.10% of the total amount invoiced. In performing our audit to determine the validity of management's concerns, our review of the internal controls over the payment process as well as our examination of the agencies' monthly billings disclosed areas needing improvement. We have provided recommendations to improve internal controls. For example, payment terms need to be clearly defined to more readily facilitate the contract's enforceability and implementation. The payment process is inverted; whereby SPED staff instructs the agencies on the amount to invoice the District as opposed to the agencies providing an independently generated invoice for the services provided. Consistency in attendance records and other supporting documentation is needed as well as improvement in the payment reconciliation process. These added improvements will enable district staff to accurately and efficiently validate agencies invoices.

We have discussed our findings and recommendations with management, whose written responses are incorporated into this report. We would like to thank management for the cooperation and courtesies extended to our staff during the audit.

Sincerely,

José F. Montes de Oca, CPA, Chief Auditor  
Office of Management and Compliance Audits

*Office of Management & Compliance Audits*

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## EXECUTIVE SUMMARY

As requested by the Superintendent of Schools, we have performed an audit of select special education (SPED) service contracts in effect from July 2010 to April 2012. The District contracts with several service agencies to provide SPED services and training for students with disabilities. The principal concern stated in the request was that certain anomalies noted in the invoicing pattern of the contracted agencies gave rise to concerns about the accuracy of the amounts charged to M-DCPS for the contracted services and management's inability to validate the amount billed to M-DCPS each month due to the agencies' failure to submit daily attendance records along with each invoice.

For the contracts in effect during the audit period, agency payments were 75% of the aggregate of the full-time equivalent (FTE) base student allocation and guaranteed allocation funding received from the State of Florida.

Regarding management's principal concern, that is, the accuracy of the charges billed to M-DCPS for SPED services under the selected contract, our audit found that, in total, the amount paid by M-DCPS was less than the total amount billable, as calculated by us and agreed to by management, based on the terms of the contracts. The calculated underpayment was approximately \$66,000 or 4.10% of total amount invoiced.

In performing our audit to determine the veracity of management's concerns, our review of the internal controls over the payment process as well as our examination of the agencies' monthly billings disclosed areas needing improvement. For example, our audit concludes that the payment process needs to be improved to allow agencies to independently generate the monthly invoices to bill M-DCPS for the services they perform. Currently, the billing process is inverted wherein each month; SPED staff instructs the agencies on the amount to invoice the District as opposed to the agencies providing an independently generated invoice for the services provided. Consequently, the cause and responsibility for the over-payment is shared between management and the agencies. In addition, inasmuch as M-DCPS SPED staff provides the agencies with the amount to invoice the District each month, we found management's assertion concerning their inability to validate the amount billed to M-DCPS each month to be generally accurate, since agency invoices lacked sufficient details to facilitate independent validation and reconciliation.

The payment terms in the agency contracts need to be defined and guidance be provided for clarity. Specifically, terms like "enrollment and attendance" should be defined. Also, the contract should clearly delineate the number of invoices expected from the agency for the "Extended School Year (ESY)," referenced in the contract as "July 20[XX]." We found that some agencies submitted invoices for ESY for both the months of June and July, while others submitted invoices only for the month of June. In addition, we noted that the amount invoiced for ESY by four of the agencies reflected only an amount separately calculated for ESY in the Contracted Services Calculation

(CSC) worksheet prepared by M-DCPS Budget department; whereas, the amount invoiced by the remaining two agencies for ESY reflected the base, guaranteed and one-twelfth of separately calculated ESY allocations. Without clarity in payment terms, it is difficult to assess whether funds are expended in accordance with the contracts' terms.

Our audit disclosed that all six agencies submitted the contractually required annual budget summary for both years. We also noted that in most cases, the listed expenditures appeared to be appropriate. However, there were instances where the annual budget summaries included indirect operating expenditures, which appear to be inconsistent with the strict limits set forth in the contract. We, however, acknowledge that, albeit this inconsistency, some of these costs are standard overhead that would be typical of this type of operations.

Additionally, improvement is needed in the consistency of information contained in attendance records and other supporting documentation staff uses in the reconciliation. Our audit also disclosed many instances where the information on one document did not agree with the information on one or more supporting documents. These discrepancies invariably contributed to overpayments and underpayments by the District on specific invoices.

Based on our observations, we have made 10 recommendations to improve internal controls over these agency contracts. The detailed findings and recommendations start on page seven (7) of this report and provide additional information that is integral to understanding the substance and context of the conditions noted above. There were other matters, which came to our attention during our audit, which were deemed non-reportable because they were immaterial and inconsequential. These were nevertheless discussed with management for their information and follow-up.



## INTERNAL CONTROLS

Our overall evaluation of internal controls over the processes for managing the select special education service contracts audited is summarized in the table below.

| <b>INTERNAL CONTROLS RATING</b>           |                     |                          |                   |
|-------------------------------------------|---------------------|--------------------------|-------------------|
| <b>CRITERIA</b>                           | <b>SATISFACTORY</b> | <b>NEEDS IMPROVEMENT</b> | <b>INADEQUATE</b> |
| <b>Process Controls</b>                   |                     | X                        |                   |
| <b>Policy &amp; Procedures Compliance</b> |                     | X                        |                   |
| <b>Effect</b>                             |                     | X                        |                   |
| <b>Information Risk</b>                   | X                   |                          |                   |
| <b>External Risk</b>                      |                     | X                        |                   |

| <b>INTERNAL CONTROLS LEGEND</b>           |                                                      |                                                       |                                                                                                                  |
|-------------------------------------------|------------------------------------------------------|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <b>CRITERIA</b>                           | <b>SATISFACTORY</b>                                  | <b>NEEDS IMPROVEMENT</b>                              | <b>INADEQUATE</b>                                                                                                |
| <b>Process Controls</b>                   | Effective                                            | Opportunities exist to improve effectiveness.         | Do not exist or are not reliable.                                                                                |
| <b>Policy &amp; Procedures Compliance</b> | In compliance                                        | Non-Compliance Issues exist.                          | Non-compliance issues are pervasive, significant, or have severe consequences.                                   |
| <b>Effect</b>                             | Not likely to impact operations or program outcomes. | Impact on outcomes contained.                         | Negative impact on outcomes.                                                                                     |
| <b>Information Risk</b>                   | Information systems are reliable.                    | Data systems are mostly accurate but can be improved. | Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions. |
| <b>External Risk</b>                      | None or low.                                         | Potential for damage.                                 | Severe risk of damage.                                                                                           |

## BACKGROUND

The District contracts with several agencies to provide special education (SPED) services and training for students with disabilities. This audit examined the District's 2010-2011 and 2011-2012 contracts for such services with the following six agencies:

1. Exceptional Development Corporation of South Florida (EDC)
2. Goodwill Industries of South Florida (Goodwill)
3. Sunrise Community Inc. (Sunrise)
4. University of Miami - Mailman Child Development (Debbie Institute / Mailman)
5. Easter Seals of South Florida, Inc. (Easter Seals)
6. United Cerebral Palsy Association of Miami, Inc. (UCP)

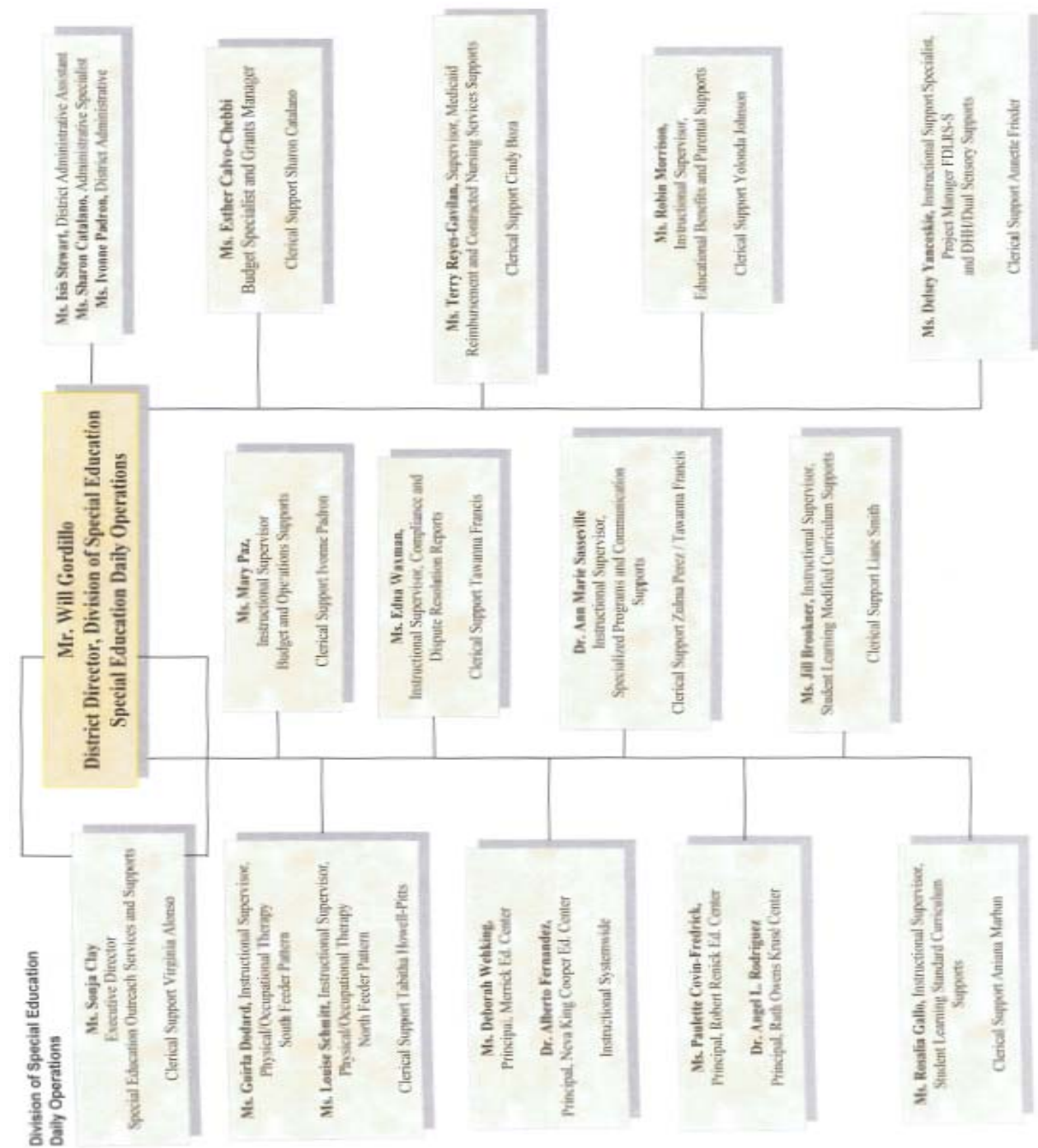
The aggregate maximum value of the 12 contracts in the contract years audited was approximately \$2.9 million. From July 2010 to April 2012, the aggregate monthly billings for these six agencies were approximately \$1.6 million. During the audit period, the Executive Director of the Division of Special Education administered five of these contracts, while the remaining contract was administered by an Instructional Support Specialist from the same Division.

Each agency contract is for a 12-month period starting July 1<sup>st</sup> and ending on June 30<sup>th</sup> of the following year. The contracts state the maximum number of students to be serviced and contain a list of deliverables. Each contract's compensation includes a "not-to-exceed" dollar amount for the 12-month period. As part of our audit, we judgmentally selected one deliverable for testing. This deliverable requires the agency to annually provide the District an annual budget summary for the funds provided by the School Board under the contract.

All monthly contract payments are based on 75% of the generated Matrix. The generated Matrix refers to the Florida Department of Education (FLDOE) Matrix of Services. The Matrix of Services is the driver for funding of SPED students. The Matrix of Service Handbook states: "The Matrix of Services is the document used to determine the cost factor for selected exceptional education students based on the decisions made by the individual education plan (IEP) committee... A Matrix of Services is completed using information found on the student's IEP by an individual or group of individuals familiar with the student." Once a Matrix of Services is completed, the last page will show the total domain rating points. The total domain rating has a corresponding cost factor. This cost factor will determine the student's weighted FTE, as well as their base student allocation and guaranteed allocation, if applicable.

# ORGANIZATIONAL CHART

## Division of Special Education as of April 2012:



## **OBJECTIVES, SCOPE, AND METHODOLOGY**

As requested by the Superintendent of Schools, we have performed an audit of select special education (SPED) service contracts from July 2010 to April 2012. The objectives of the audit were to determine whether these agency service contracts were duly executed; whether the terms of service contracts adequately delineate expected deliverables; whether funds expended are in agreement with payment terms of the contracts and are adequately supported by sufficient documentation; whether proper management and internal controls are in place over the service delivery; and to assess contract compliance and the possibility of overcharges by the service providers.

We performed the following procedures to satisfy the audit objectives:

- Obtained an understanding of important provisions in the agency service contracts.
- Interviewed district staff.
- Identified electronic reports to facilitate the comparison of various source documents used in the agency payment process.
- Recalculated all monthly invoices for selected service agencies from July 2010 to April 2012.
- Examined the agencies' annual budget summary for the 2010-2011 and 2011-2012 fiscal years through April 2012.
- Performed various other audit procedures as deemed necessary.

We conducted this performance audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives. This audit included an assessment of applicable internal controls and compliance with the requirements of policies, procedures, laws, regulations and rules to satisfy our audit objectives.

## **FINDINGS AND RECOMMENDATIONS**

### **1. AGENCY BILLINGS INDICATED THAT THE TOTAL THE DISTRICT PAID TO THE AGENCIES WAS LESS THAN THE TOTAL AMOUNT BILLABLE**

The principal concern of management which precipitated the Superintendent's request for an audit of services provided through selected special education contracts involved anomalies noted in the invoicing pattern of the associated agencies. According to management, the amount billed M-DCPS each month showed little or no variation that would normally be expected as a result of fluctuations in student enrollment, absences, attrition, and number of service days. Consequently, this gave rise to concerns about the accuracy of the amount charged to M-DCPS for the contracted services. Furthermore, according to management, their ability to validate the amount billed M-DCPS each month was hampered by the agencies' failure to submit daily attendance rosters along with each invoice.

In performing our audit, we developed a scope of work to satisfy the objectives outlined in the Objectives, Scope and Methodology section<sup>1</sup> of this report. Based on our examination of the service agreements within our scope and other corroborating documentation, we found that while the contracted agencies' billing pattern might at first glance appear to be unusual or atypical, it in fact conforms to the payment terms of the agreements. Moreover, our analyses showed that, in total, the amount the District paid the agencies for special education services provided under the subject contracts was less than the amount we calculated due to the agencies based on the terms of the contracts. The total amount invoiced and paid to the agencies – \$1,605,214 for the 22-month period through April 2012, was \$65,745 or 4.10% less than the total amount we calculated applying the terms of the contract. (See Figure 1 on page 8.) Our analysis found that while two (33%) of the six agencies' total invoiced amount exceeded the total expected amount calculated by us, four (67%) of the agencies' total invoiced amount was less than the total expected amount calculated by us. The net variance was less than five percent for three of the six agencies, but was more than ten percent for the remaining three agencies; being as high as 14%.

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<sup>1</sup> *Supra* Page 6

| Schedule of Agency Over/(Under) Payments<br>for Fiscal Years 2011 and 2012 |              |                         |                        |                       |                 |
|----------------------------------------------------------------------------|--------------|-------------------------|------------------------|-----------------------|-----------------|
| Fiscal<br>Year <sup>2</sup>                                                | Agency       | Total Invoice<br>Amount | Recalculated<br>Amount | Variance<br>Amount    | Variance        |
| 2011-12                                                                    | EDC          | \$ 74,035.14            | \$ 75,976.90           | \$ (1,941.76)         | (2.56%)         |
| 2010-11                                                                    | EDC          | 112,711.54              | 115,805.85             | (3,094.31)            | (2.67%)         |
|                                                                            |              | <b>\$ 186,746.68</b>    | <b>\$ 191,782.75</b>   | <b>\$ (5,036.07)</b>  | <b>(2.70%)</b>  |
| 2011-12                                                                    | Goodwill     | \$ 127,850.54           | \$ 128,547.02          | \$ (696.48)           | (0.54%)         |
| 2010-11                                                                    | Goodwill     | 206,302.45              | 212,988.41             | (6,685.96)            | (3.14%)         |
|                                                                            |              | <b>\$ 334,152.99</b>    | <b>\$ 341,535.43</b>   | <b>\$ (7,382.44)</b>  | <b>(2.21%)</b>  |
| 2011-12                                                                    | Sunrise      | \$ 7,150.97             | \$ 7,410.89            | \$ (259.92)           | (3.51%)         |
| 2010-11                                                                    | Sunrise      | 13,332.77               | 10,949.60              | 2,383.17              | 21.76%          |
|                                                                            |              | <b>\$ 20,483.74</b>     | <b>\$ 18,360.49</b>    | <b>\$ 2,123.25</b>    | <b>10.37%</b>   |
| 2011-12                                                                    | Mailman      | \$ 274,307.66           | \$ 259,242.12          | \$ 15,065.54          | 5.81%           |
| 2010-11                                                                    | Mailman      | 364,199.12              | 446,175.17             | (81,976.05)           | (18.37%)        |
|                                                                            |              | <b>\$ 638,506.78</b>    | <b>\$ 705,417.29</b>   | <b>\$(66,910.51)</b>  | <b>(10.48%)</b> |
| 2011-12                                                                    | Easter Seals | \$ 61,693.50            | \$ 61,087.76           | \$ 605.74             | 0.99%           |
| 2010-11                                                                    | Easter Seals | 201,742.13              | 213,707.28             | (11,965.15)           | (5.60%)         |
|                                                                            |              | <b>\$ 263,435.63</b>    | <b>\$ 274,795.04</b>   | <b>\$(11,359.41)</b>  | <b>(4.31%)</b>  |
| 2011-12                                                                    | UCP          | \$ 65,453.43            | \$ 55,153.50           | \$ 10,299.93          | 18.68%          |
| 2010-11                                                                    | UCP          | 96,434.88               | 83,915.06              | 12,519.82             | 14.92%          |
|                                                                            |              | <b>\$ 161,888.30</b>    | <b>\$ 139,068.56</b>   | <b>\$ 22,819.75</b>   | <b>14.10%</b>   |
| Total                                                                      |              | <b>\$1,605,214.13</b>   | <b>\$1,670,959.56</b>  | <b>\$ (65,745.43)</b> | <b>(4.10%)</b>  |

Figure 1

<sup>2</sup> For Fiscal Year 2011-2012, information includes payments through April 2012.

The following sections of this report explain the reasons for the under-billing and the basis of our calculations.

### Contract Payment Terms and Their Impact

The principal reason leading to the seemingly abnormal invoicing pattern lies within the contract's payment terms. Those terms are as follows:

*The payment for Extended School Year (ESY) July 20[XX] will be based upon 75% of the generated Matrix for the actual ESY enrollment for July 20[XX]. The first payment for August 20[XX] will be based upon 75% of the generated Matrix for the actual student enrollment and attendance at the time of the August 20[XX] billing. The September 20[XX] payment will also be based upon 75% of the generated Matrix for the actual student enrollment and attendance at the time of the September 20[XX] billing. The October 20[XX] payment will be based upon 75% of the generated Matrix during the October 20[XX] FTE survey count. Subsequent monthly payments through January 20[XX] will reflect the October 20[XX] FTE survey count. The February 20[XX] payment will be based upon 75% of the generated Matrix during the February 20[XX] FTE survey count. Subsequent monthly payments through May 20[XX] will reflect the February 20[XX] FTE survey count.<sup>3</sup>*

Given these terms, the expected invoicing pattern would reflect three months (July – September) of potentially fluctuating amounts and two separate four-month blocks (October – January and February – May) of unchanged amounts based on, and locked to the survey counts of October and February. The terms of the agreement do not take into consideration student attrition, absenteeism or the number of days serviced within each of the two four-month blocks beginning October and February. Consequently, fluctuation resulting from these factors would not be expected.

Extended School Year (ESY) services are special education and related services provided to students with disabilities beyond the regular 180-day school year. ESY eligibility is determined through the student's Individual Education Plan (IEP) process. Payments for the ESY (July) session are based on actual student enrollment at the beginning of July at each student's respective matrix level. Again, the terms of the agreement do not take into consideration student attrition, absenteeism or the number of days serviced during the month. Consequently, fluctuation resulting from these factors would not be expected.

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<sup>3</sup> The Mailman contract for Fiscal Year 2010-11 allows a June payment at a rate that is based on the February FTE Survey. Mailman's Fiscal Year 2011-12 contract does not allow for a June payment.

For August and September, the fee drivers are actual enrollment and attendance. However, it is unclear from the agreement what constitute “actual enrollment and attendance”. For instance, does “actual enrollment and attendance” have a similar meaning as it does for the state’s FTE survey purposes; wherein a student is counted for full FTE funding if he/she is enrolled and in attendance at least one day during the survey period? On the other hand, does “actual enrollment and attendance” take a different meaning, wherein an enrolled student is counted for billing purposes only for days he/she is actually present? If the former interpretation is intended, student attrition, absenteeism or the number of days serviced, after a student’s establishment in the program by his/her enrollment and attendance in at least one class session would have no effect on the amount invoiced. Given that none of the agencies’ invoices for August and September included a daily rate and attendance component, it is evident that their understanding of the agreement aligns with the former interpretation. In recalculating the expected invoice amount for August and September, we defaulted to the former interpretation, which is consistent with the state’s and District’s protocol.

The following diagram (Figure 2) illustrates the factors for each month’s agency invoice. Note that although ESY is listed in the contract as “July,” it is depicted below as “June/July” to reflect the period most often indicated in the agencies’ invoices for ESY.

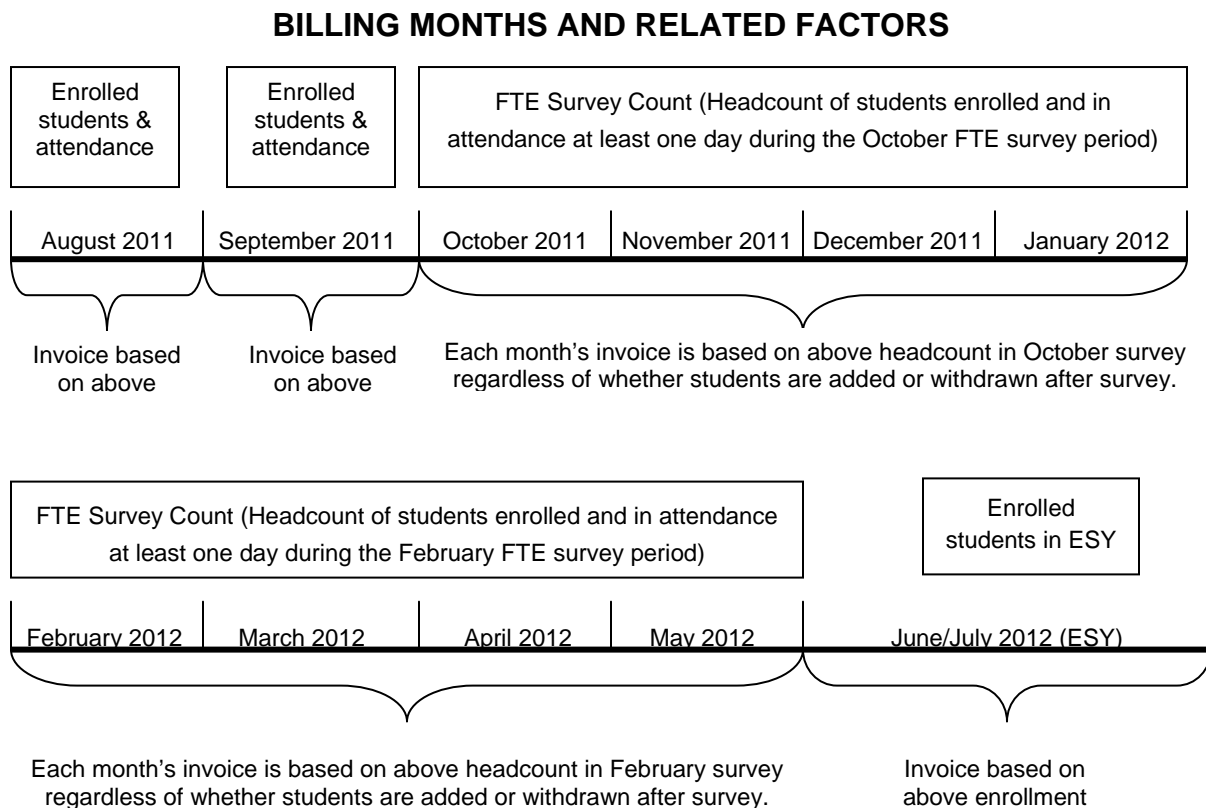


Figure 2



### Contract Specified Financial Data Submission and Use

The contract outlines a number of reports to be submitted to district staff to enable them to monitor the effectiveness of the program. The single financial report included in the submission list is an annual budget summary for the funds provided by the District under the contract. The contract sets strict limits on the use of expended funds stipulating that they should be expended only on direct program costs. This information can be used as an indicator of the adequacy of amounts paid for the contracted services. We found that for the most part, all agencies submitted the required annual budget summary. The Executive Director of SPED who manages five of the six contracts stated that she completes an analysis of the annual budget summaries received and ensures that they include the appropriate expense categories. On the other hand, the SPED Instructional Support Specialist who manages the remaining contract stated that she does not receive the annual budget summary.

In reviewing the agencies' annual budget summaries, we noted that in most cases, the listed expenditures appeared to be appropriate. However, there were instances noted where the annual budget summaries included indirect operating expenditures, which appear to be inconsistent with the strict limits set forth in the contract, as explained above. We, however, acknowledge that, albeit this inconsistency, some of these costs are standard overhead that would be typical of this type of operations.

### The Mechanics of the Invoicing and Payment Process and Key Internal Controls

The M-DCPS Budget department provides the District's SPED department staff with the Contracted Services Calculation (CSC) worksheet to calculate the monthly agency invoice total for SPED services rendered. Both the base student allocation and guaranteed allocation, if applicable, are calculated. The CSC worksheet also includes calculations for an ESY session. The number of students serviced at each cost factor for the Florida Department of Education (FLDOE) Matrix of Services is the only information input by SPED staff into the CSC worksheet. SPED staff obtains this information by generating print screens from the Pupil Ad Hoc Request Information System (PARIS). These PARIS print screens list all students enrolled at each agency and a number corresponding to each student's FLDOE Matrix of Services domain rating cost factor. The number of students on these PARIS print screens is reconciled with the agency's attendance records. Thereafter, the District's SPED staff provides the agency the total amount to be invoiced, which the agency then invoices the District. This inverted invoicing process does not allow the agency to invoice M-DCPS for actual SPED services provided.

Two components are critical in the validation of the monthly agency invoices. First, an accurate number of students serviced and their respective current FLDOE Matrix of Services domain rating is needed. SPED staff utilizes the Master Student Attendance roster to determine the number of students serviced. This roster report along with the PARIS print screens could be utilized to determine the number of students receiving services for months where student enrollment and attendance is the payment driver. For

the months where the FTE Survey is the payment driver, the student tally could be obtained from electronic FTE Survey reports. For our analysis, we utilized the FTE Special Program Roster (SPR) report<sup>4</sup> and the FTE Student Membership/Error Report.<sup>5</sup>

The second component in this validation process is a detailed monthly agency invoice. An invoice which lists the number of students, their ESE Matrix of Service domain rating, cost factors and associated monthly cost, will facilitate staff's validation of agency invoice. In many instances, the agency invoices lacked the necessary details described herein.

### Specific Findings Observed Through Our Review of Contract Documents

In executing our audit scope we reviewed various documents and noted the following substantive and structural defects, which when properly addressed, should improve the fiscal management and monitoring of the SPED services delivered under the selected contracts audited:

- ◆ While the contracts list the relevant payment drivers, they do not define the payment drivers or provide guidelines concerning their application. For example, does “actual enrollment and attendance” mean that an enrolled student is counted for billing purposes only for days he/she is actually present? The lack of contract definitions and specific guidelines has led to differing interpretation and application of contract terms, resulting in confusion in the payment process. Moreover, this condition makes the invoice validation process performed by SPED staff imprecise.
- ◆ The contract is fairly prescriptive on what costs program funds may be expended and requires that these costs be direct costs of an instructional nature. The agencies' annual budget data submitted and reviewed appear to include various indirect overhead cost components.
- ◆ The process flow of the agency invoicing function is inverted. SPED staff gives the agencies the specific amount to invoice the District. The mechanics of this process does not allow the agency to invoice M-DCPS for actual SPED services provided.
- ◆ The CSC worksheet M-DCPS Budget Department provides to the SPED department contains provisions for an ESY. There are, however, some issues concerning this calculation. First, should a separate calculation be done for ESY and what should that calculation entail? We met with the M-DCPS Chief Budget

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<sup>4</sup> The FTE SPR report lists each student present during the FTE Survey period, as well as his/her cost factor scale and FTE earned. The student's cost factor scale directly corresponds with the domain ratings on the FLDOE Matrix of Services.

<sup>5</sup> The FTE Student Membership/Error Report lists all students present during the FTE Survey period, as well as those students who were present but rejected from earning FTE for one or more listed reasons.

Officer (CBO) to better understand the CSC worksheet and were informed that the District receives special education funding from the State of Florida from FTEs in the base student allocation and guaranteed allocation, if applicable to students' FLDOE Matrix of Services. The CBO also stated the District does not receive additional funding for ESY. Based on the Chief Budget Officer's explanation, it appears that a separate calculation for ESY is not appropriate. Furthermore, the calculations for the monthly payments for months outside of the ESY period are based on 12 months. Second, there is inconsistency in the agencies' invoicing for ESY. For the six agencies examined, two issued separate invoices in June and July for ESY, while the remaining four only issued one monthly invoice for ESY, which is describe as "June/July" in those invoices. Although the agency contract lists ESY as "July," it does not specifically address whether there should be one or more invoices for ESY. In addition, we noted that the amount invoiced for ESY by four of the agencies reflected only the amount separately calculated for ESY in the CSC; whereas, the amount invoiced by the remaining two agencies for ESY reflected the base, guaranteed and one-twelfth of separately calculated ESY allocations. The lack of clarity and inconsistency raises questions of inequity. Figures 3 and 4 graphically illustrate the effects of this inconsistency using a hypothetical invoice from two different agencies applying different interpretations of the contract for the ESY billing period. As illustrated, this inconsistency tends to disadvantage one agency over the other.

| <b>AGENCY 1</b><br><b>Miami, FL 33132</b>           |                      |
|-----------------------------------------------------|----------------------|
| August 1, 2012                                      | Invoice No.: 2012-01 |
| Invoice for ESY (June/July):                        |                      |
|                                                     | Extended Value       |
| Base & Guaranteed Allocations ... \$6,777.98 x 0% = | -0-                  |
| ESY ..... \$4,518.65 x 100% =                       | <u>\$4,518.65</u>    |
| Total Due                                           | <u>\$4,518.65</u>    |
| Figure 3                                            |                      |

| <b>AGENCY 2</b><br><b>Miami, FL 33132</b>            |                      |
|------------------------------------------------------|----------------------|
| August 1, 2012                                       | Invoice No.: 2012-01 |
| Invoice for ESY (June/July):                         |                      |
|                                                      | Extended Value       |
| Base & Guaranteed Allocations... \$6,777.98 x 100% = | \$6,777.98           |
| ESY ..... \$4,518.65 x 1/12 =                        | <u>376.55</u>        |
| Total Due                                            | <u>\$7,154.53</u>    |
| Figure 4                                             |                      |

- ◆ The PARIS print screens, important documents used in the invoice validation process, were either not provided for audit or were not generated on a timely basis, that is, contemporaneous with the period for which the services are being invoiced. For the audit period, we noted 24 such instances. A student's domain rating directly correlates to the amount paid to the agency and may change each time a student has an individual education plan (IEP) meeting. Therefore, timely generated PARIS print screens are essential in recalculating the cost of services rendered by a contracting agency.
  
- ◆ The consistency of information and reports generated by the District and used by SPED in the payment process needs improvement. In fact, this inconsistency contributed to the variances noted, wherein our analysis of payments to the agencies disclosed 40 instances where there was a 5% or greater variance between the auditors' recalculated amount and the invoice total. We noted the following specific discrepancies:
  - On 10 invoices, the student domain rating on the PARIS print screen and the FTE Special Program Roster report did not agree. This condition was noted for four students in the 2011 contract year and for five students in the 2012 contract year.
  - For four invoices from one agency, the incorrect number of students was entered in CSC worksheet. The additional two students who were not included in the CSC worksheet would have resulted in larger invoice amount for months of October 2011 through January 2012 had they been included in the CSC worksheet.
  - For three invoices from one agency, the attendance records and the FTE SPR report indicate nine students received services. However, the CSC worksheet and the agency invoices include eight students.
  - For four invoices from one agency, the attendance records indicate eight students were present during the FTE survey period. However, the FTE SPR report, the CSC worksheet, the FTE Student Membership/Error Report, and the invoices indicate nine students were present during FTE survey.
  - For nine invoices from two agencies, the number of students in the attendance records did not agree with the number of students in the agency invoice and/or the CSC worksheet. The variance ranged between one and two students per invoice.
  - For four invoices from one agency, one student enrolled on last the day of FTE survey period and was not included on FTE SPR report, CSC worksheet, and monthly invoices.

- For four invoices from one agency, the FTE SPR report and the attendance records indicated 26 students were present during the FTE survey period. However, the invoices and the CSC worksheet indicated 25 students were present during the FTE survey period.
- For 13 invoices from two agencies, the student's ESE domain rating or cost factor (i.e., FLDOE Matrix of Services) on the FTE SPR report and the CSC worksheet did not agree. Depending on the invoice, between one and 10 students were listed at Matrix Level 253 over a seven-month period when they should have been listed at Matrix Level 254 and one student was listed at Matrix Level 255 over a six-month period when he/she should have been listed at Matrix Level 254. The calculated allocation per student at each level is as follows: \$10,609.07, \$12,903.11 and \$18,074.61 for Levels 253, 254 and 255, respectively.
- For one invoice from one agency, the number of students in the FTE SPR report did not agree with the number of students in the agency invoice and CSC worksheet.

## **RECOMMENDATIONS**

- 1.1 Review agency contract and identify provisions and terms that are either ambiguous, unclear or do not accurately reflect management's expectations and revise accordingly. Specifically, relevant payment terms should be clearly defined and guidelines on their correct application should be provided.**

**Responsible Department: SPED Department**

**Management Response:** Division of SPED administrators will work with the Office of the School Board Attorney to revise the contract language to insure clarity of terms and provisions for each contract. While student absences and withdrawals are expected and agencies must insure that adequate staff ratios and services are provided, contract terms will also address consistent drops in attendance and enrollment.

- 1.2 To enhance the outcome of staff's review of the annual budget summary received from the agency, engage the services of other district offices in the areas of accounting and financing to perform a concomitant review of the annual budget summary to ensure compliance with contract provisions.**

**Responsible Department: SPED Department**

**Management Response:** Division of SPED contract administrators will consult with the Office of Budget and Finance regarding the review of annual budget summaries for accuracy and compliance.

- 1.3 Discontinue the inverted invoicing process currently in place. The agencies should be allowed to independently compute and bill the District, based on the prevailing cost factor for each student and contract agree-upon percentage, for monthly services rendered. In addition, SPED staff should recalculate the agency's invoice to verify its accuracy prior to payment.**

**Responsible Department: SPED Department**

**Management Response:** Audit recommendations regarding invoice calculation and generation will be followed and current practices will be modified so that agency invoices will be independently computed and reflect services provided as stated in the contract terms. Division of SPED staff will review each set of invoices and verify the accuracy as recommended prior to payment authorization.

- 1.4 Develop procedures to enhance the Extended School Year (ESY) invoice validation process to ensure that only the appropriate amount due for the ESY period, based on the correct calculations and applicable funding source, is paid instead of overlapping amounts calculated for ESY and the regular school year. This will improve budgeting and financial reporting given that ESY typically has a different funding source.**

**Responsible Department: SPED Department**

**Management Response:** Procedures will be developed to enhance the invoice validation process for Extended School Year (ESY) as recommended.

- 1.5 Clarify and make specific the terms of payment for ESY, including the specific months covered and the number of invoices expected in billing the District for services rendered.**

**Responsible Department: SPED Department**

**Management Response:** SPED contract administrators will work with the Office of the School Board Attorney to insert language in the contract terms regarding ESY, specifically in regards to invoicing procedures.

**1.6 Train appropriate staff on payment terms for agency contracts to ensure they can verify the accuracy of monthly agency invoices**

**Responsible Department: SPED Department**

**Management Response:** SPED Staff assigned to administer and process FTE contractual services will complete the training as recommended in the audit report.

**1.7 Require that SPED staff generate and file the PARIS print screens each month and ensure each student's domain rating total agrees with the agency invoices.**

**Responsible Department: SPED Department**

**Management Response:** SPED staff will implement the audit recommendation as outlined regarding the verification of students' domain ratings.

**1.8 Utilize the FTE Special Program Roster (SPR) and FTE Membership/Error reports to facilitate the monthly reconciliation between SPED records and the agency invoice when either the October or February FTE survey period is the payment driver. The monthly PARIS print screens should be utilized to complete this reconciliation in months when the FTE survey period is not the payment driver.**

**Responsible Department: SPED Department**

**Management Response:** SPED staff will implement the audit recommendation as outlined regarding the verification of reconciliation procedures.

**1.9 Research, resolve and document any discrepancies encountered in the reconciliation process.**

**Responsible Department: SPED Department**

**Management Response:** SPED staff will implement the audit recommendation as outlined regarding the verification of reconciliation procedures.

**1.10 Revise the agency contract to stipulate the details that agency should include on its monthly invoice.**

**Responsible Department: SPED Department and School Board Attorneys Office**

**Management Response:**

**SPED Department**

Contract language will be revised to specify the documentation required for invoicing so that cost factors can easily be validated.

**School Board Attorneys Office**

The School Board Attorney's Office is in the process of modifying various service contracts, including the contracts for special education services and has agreed to incorporate changes stemming from our recommendations into the revised contracts.



# **MANAGEMENT'S RESPONSE**

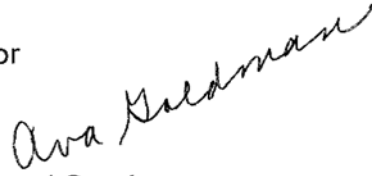


**MEMORANDUM**

**November 27, 2012**

**TO:** Mr. Jose F. Montes de Oca, Chief Auditor  
Office of Management and Compliance

**FROM:** Ava Goldman, Administrative Director  
Office of Special Education and Educational Services



**SUBJECT: INTERNAL AUDIT REPORT ON SELECTED SPECIAL EDUCATION SERVICE CONTRACTS**

Attached is the management response to the Internal Audit Report on selected Special Education Service Contracts. We appreciate the recommendations and have addressed each finding and recommendation specified in the internal audit report.

If you require additional information please contact me, at 305 995-2037.

AG  
M06

Attachment

cc: Ms. Milagros R. Fornell

## Office of Special Education and Educational Services

| FINDINGS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | RECOMMENDATIONS                                                                                                                                                                                                                                                                                                                         | ACTIONS IMPLEMENTED                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Total amount paid by M-DCPS for SPED service contract billings during the period of July 2010 through April 2012 was less than the total amount that should have been billed as calculated by the Office of Management and Compliance Audits</p> <ul style="list-style-type: none"> <li>• Actual aggregate monthly billings totaled \$1,605,214.13</li> <li>• Total billable amount as calculated by Office of Management and Compliance Audits should have been \$1,670,959.56</li> <li>• Total shortfall-\$65,745.43</li> </ul>                                                                                    |                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                               |
| <p>Although the contracted agencies' billing pattern appears atypical in light of the lack of monthly variations that should have resulted from fluctuations in student enrollment, absences, attrition and number of service days, it nevertheless conforms to the payment terms set forth in the agreements</p> <ul style="list-style-type: none"> <li>• Based on payment provisions set forth in the contracts, the expected invoicing pattern would reflect 3 months (from July-September) of potentially fluctuating amounts and 2 separate four-month blocks (during October-January and February-May)</li> </ul> | <p><b>1.1 CONTRACTUAL TERMS:</b> Review agency contract and identify terms and provisions that are ambiguous, unclear or do not accurately reflect management's expectations and revise accordingly. Specifically, relevant payment terms, should be clearly defined and guidelines on their correct application should be provided</p> | <p>Division of SPED administrators will work with the Office of the School Board Attorney to revise the contract language to insure clarity of terms and provisions for each contract. While student absences and withdrawals are expected and agencies must insure that adequate staff ratios and services are provided, contract terms will also address consistent drops in attendance and enrollment.</p> |

|                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>of unchanged monthly amounts that are based on the October and February FTE survey counts</p> <ul style="list-style-type: none"> <li>Under the contracts, student attrition, absences and the number of service days per month are not factored into the invoice amounts.</li> </ul>                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                        |
| <p>In certain instances, annual budget summaries provided by the agencies listed indirect operating expenditures. The inclusion of these expenses would appear inconsistent with contractual terms limiting the use of expended funds for direct program costs.</p> <ul style="list-style-type: none"> <li>However, some of these costs are standard overhead that is deemed typical of this type of operation.</li> </ul> | <p><b>1.2 ANNUAL BUDGET SUMMARY REVIEW:</b><br/>To enhance the outcome of staff's review of the annual budget summary received from the agency, engage the services of other district offices in the areas of accounting and financing to perform a concomitant review of the annual budget summary to ensure compliance with contractual provisions.</p>                                                                          | <p>Division of SPED contract administrators will consult with the Office of Budget and Finance regarding the review of annual budget summaries for accuracy and compliance.</p>                                                                                                                                                                                                        |
| <p>M-DCPS SPED staff instructs each agency on the monthly amount that should be invoiced in lieu of requiring each agency to provide an independently generated monthly invoice for services provided.</p> <ul style="list-style-type: none"> <li>This process bars agencies from invoicing M-DCPS for actual SPED services provided.</li> </ul>                                                                           | <p><b>1.3 INVOICE CALCULATION &amp; GENERATION:</b> Discontinue inverted invoicing process currently in place. The agencies should be allowed to independently compute and bill the district, based on the prevailing cost factor for each student and contract agreed-upon percentage for monthly services rendered. In addition, SPED staff should recalculate the agency's invoice to verify its accuracy prior to payment.</p> | <p>Audit recommendations regarding invoice calculation and generation will be followed and current practices will be modified so that agency invoices will be independently computed and reflect services provided as stated in the contract terms. Division of SPED staff will review each set of invoices and verify the accuracy as recommended prior to payment authorization.</p> |
| <p>The amount invoiced for Extended School Year (ESY) by four agencies reflected only an amount</p>                                                                                                                                                                                                                                                                                                                        | <p><b>1.4 ESY INVOICE PROCEDURES</b><br/>Develop procedures to enhance the</p>                                                                                                                                                                                                                                                                                                                                                     | <p>Procedures will be developed to enhance the invoice validation process for Extended School</p>                                                                                                                                                                                                                                                                                      |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>separately calculated for ESY in the Contracted Services Calculation (CSC) worksheet prepared by the M-DCPS Budget office.</p> <p>The amount invoiced for ESY by two separate agencies reflected the sum of the base student allocation, guaranteed allocation and 1/12 of separately calculated ESY allocations.</p> <ul style="list-style-type: none"> <li>Lack of clarity and inconsistency places certain agencies at a disadvantage.</li> </ul>                                                                                                                                                              | <p>Extended School Year (ESY) invoice validation process to ensure that only the appropriate amount due for the ESY period, based on the correct calculations and applicable funding source, is paid instead of overlapping amounts calculated for ESY and the regular school year. This will improve budgeting and financial reporting given that the ESY typically has a different funding source.</p>                                                                                                                                                                         | <p>Year (ESY) as recommended.</p>                                                                                                                                                                                                                                                                                                                                                                         |
| <p>Some agencies submitted invoices for ESY for both the months of June and July, while other agencies submitted invoices only for the month of June.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p><b>1.5 CONSISTENCY IN ESY INVOICE SUBMISSION:</b> Clarify and make specific the terms of service for ESY, including the specific months covered and the number of invoices expected in billing the District for services rendered.</p>                                                                                                                                                                                                                                                                                                                                        | <p>SPED contract administrators will work with the Office of the School Board Attorney to insert language in the contract terms regarding ESY, specifically in regards to invoicing procedures.</p>                                                                                                                                                                                                       |
| <p>In certain cases, PARIS print screens were not generated on a timely basis (i.e., contemporaneous with the period for which services are being invoiced), thereby hampering the district's internal invoice validation process.</p> <ul style="list-style-type: none"> <li>PARIS print screens verify each student's domain rating which in turn impacts the corresponding amount to be paid to an agency. Domain ratings may change each time a student has an Individual Educational Plan (IEP) meeting.</li> </ul> <p>The invoice validation process is flawed by a lack of reliance on district generated</p> | <p><b>1.6 TRAINING FOR M-DCPS STAFF:</b> Train appropriate staff on payment terms for agency contracts to ensure they can verify the accuracy of monthly agency invoices.</p> <p><b>1.7 RECORD PRODUCTION &amp; CROSS-CHECK:</b> Require that SPED staff generate and file the PARIS print screens each month and ensure each student's domain rating total agrees with the agency invoices</p> <p><b>1.8 RECONCILIATION PROCEDURES:</b> Utilize the FTE Special Program Roster (SPR) and FTE Membership/Error reports to facilitate the monthly reconciliation between SPED</p> | <p>SPED Staff assigned to administer and process FTE contractual services will complete the training as recommended in the audit report.</p> <p>SPED staff will implement the audit recommendation as outlined regarding the verification of students' domain ratings.</p> <p>SPED staff will implement the audit recommendation as outlined regarding the verification of reconciliation procedures.</p> |

|                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>information and reports, including the FTE Special Program Roster (SPR) which verifies student enrollment during the FTE survey period and corresponding domain rating.</p>                                                                                | <p>records and the agency invoice when either the October or February FTE survey period is the payment driver. The monthly PARIS print screens should be utilized to complete this reconciliation in months when the FTE survey period is not the payment driver.</p>                    |                                                                                                                                                                                                                                                                           |
| <p>In many instances, monthly agency invoices failed to list the number of students served, their corresponding ESE Matrix of services domain ratings, cost factors and associated monthly costs that would facilitate the validation of invoice amounts.</p> | <p><b>1.9 RECONCILIATION PROCEDURES:</b> Research, resolve and document any discrepancies encountered in the reconciliation process.</p> <p><b>1.10 CONTRACT SPECIFICITY:</b> Revise the agency contract to stipulate the details that agency should include on its monthly invoice.</p> | <p>SPED staff will implement the audit recommendation as outlined regarding the verification of reconciliation procedures.</p> <p>Contract language will be revised to specify the documentation required for invoicing so that cost factors can easily be validated.</p> |





# MIAMI-DADE COUNTY PUBLIC SCHOOLS ANTI-DISCRIMINATION POLICY

## *Federal and State Laws*

The School Board of Miami-Dade County, Florida adheres to a policy of nondiscrimination in employment and educational programs/activities and strives affirmatively to provide equal opportunity for all as required by:

**Title VI of the Civil Rights Act of 1964** - prohibits discrimination on the basis of race, color, religion, or national origin.

**Title VII of the Civil Rights Act of 1964 as amended** - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

**Title IX of the Education Amendments of 1972** - prohibits discrimination on the basis of gender.

**Age Discrimination in Employment Act of 1967 (ADEA) as amended** - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

**The Equal Pay Act of 1963 as amended** - prohibits gender discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

**Section 504 of the Rehabilitation Act of 1973** - prohibits discrimination against the disabled.

**Americans with Disabilities Act of 1990 (ADA)** - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

**The Family and Medical Leave Act of 1993 (FMLA)** - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to “eligible” employees for certain family and medical reasons.

**The Pregnancy Discrimination Act of 1978** - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

**Florida Educational Equity Act (FEEA)** - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

**Florida Civil Rights Act of 1992** - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

**Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA)** - Prohibits discrimination against employees or applicants because of genetic information.

*Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 205.07 (Florida Statutes), which stipulate categorical preferences for employment.*

### **In Addition:**

**School Board Policies 1362, 3362, 4362, and 5517** - Prohibit harassment and/or discrimination against students, employees, or applicants on the basis of sex, race, color, ethnic or national origin, religion, marital status, disability, genetic information, age, political beliefs, sexual orientation, gender, gender identification, social and family background, linguistic preference, pregnancy, and any other legally prohibited basis. Retaliation for engaging in a protected activity is also prohibited.

*Revised: (07-11)*

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**INTERNAL AUDIT REPORT**

**Audit of Selected Special Education Service  
Contracts**



**MIAMI-DADE COUNTY PUBLIC SCHOOLS**  
**Office of Management and Compliance Audits**  
**1450 N.E. 2<sup>nd</sup> Avenue, Room 415**  
**Miami, Florida 33132**  
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