Internal Audit Report

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

AUDIT OF CONSTRUCTION PROGRAM MANAGEMENT SUPPORT SERVICES CONTRACT

Contracted services were delivered pursuant to the contract terms; however, opportunities were identified to improve the process of preparing work orders, documenting operating procedures, and reviewing and approving vendor invoices.

December 2016

Contributors to This Report:

<u>Audit Performed by:</u>
Mr. Richard A. Yanez, CPA
Mr. Trevor L. Williams, CPA

<u>Audit Reviewed and Supervised by:</u>
Mr. Trevor L. Williams, CPA

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

November 23, 2016

The Honorable Chair and 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:

In accordance with the 2014-2015 Audit Plan, we conducted an audit to determine whether an adequate system of internal control was in place for managing the Program Management Support Services agreement entered into to execute the District's General Obligation Bond facilities program. Central to that objective was the determination of whether contractual provisions were adhered to, including contract deliverables being received; services were reasonably priced; services procured and the related payments were properly authorized and approved; and adequate policies and procedures exist for managing the contract and ensuring accountability.

We found that generally, contracted services were delivered pursuant to the contract terms; contract labor rates and multipliers were reasonable; a system for reviewing and approving the Program Manager's invoices was in place, with some exceptions noted; and procedures to manage the services provided through the agreement have been established, albeit in some cases, not in writing.

Our audit also found some instances of inconsistencies in the processes for reviewing, authorizing, and approving the services procured under the agreement, as well as a few instances of overpayments. Additionally, management of the agreement could be improved by having written procedures in place, detailing tasks for authorizing, approving, and monitoring services under the agreement. We have made several recommendations to improve the process.

Management has provided responses to the audit findings which are included in this report. As required by generally accepted government auditing standards (GAGAS), we have evaluated those responses and have provided comments as appropriate, under the circumstances.

We would like to thank the Offices of School Facilities and Economic Opportunity for the cooperation and courtesies extended to our staff during the audit.

Sincerely,

José F. Montes de Oca

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Why We Did This Audit

In November 2012, the voters of Miami-Dade County, Florida, passed a $1.2 billion General Obligation Bond (GOB) referendum to fund Miami-Dade County Public Schools' (M-DCPS) modernization and renovation capital construction initiative. With the passing of the referendum, the school district administration and School Board made a commitment to exercise stewardship over the GOB proceeds and ensure accountability over the use of these taxpayers' dollars. The School Board, Superintendent, and Audit and Budget Advisory Committee charged the Office of Management and Compliance Audits with ensuring that these commitments are achieved.

According to a document[1] received from the Office of Schools Facilities (OSF or Facilities), through March 2016, 223[2] of 566 planned GOB projects have been completed. According to that document, as of the same date, approximately $277 million have been expended for facilities and technology improvements.

In fulfilling our oversight responsibility, we have identified the Program Management Support Services (PMSS) contract for audit. In relation to the overall GOB Program costs, the PMSS expenditures represent a smaller component of cost than do the "bricks and mortar" expenditures associated with individual projects. Nevertheless, the personnel and services provided through the PMSS contract

---

[1] 21st Century Schools Bond Advisory Committee, Third Annual Report – Draft 2016, M-DCPS, 2016

[2] This total includes 81 "Pull Out" projects consisting of scopes of work that were removed from existing larger projects and includes 10 such projects (Pull Outs) with $0 reported expenditures. According to management, the projects had $0 expenditures because at the time of the "dashboard snapshot," (i.e., the date the reported information was captured), either the vendor did not submit invoice(s) for the services provided or payment(s) were not made for the services provided. We have not verified either of these assertions.

represent the core functions in implementing the GOB capital construction initiative. Given that, we performed an audit of the PMSS contract to determine whether the management of this contract upholds the above-mentioned commitment to proper stewardship and accountability of GOB funds.

What We Found

We found that generally, contracted services are being delivered; due diligence was applied in establishing contract labor rates and multipliers; contract terms, including pricing rates are being adhered to; an effective system for reviewing and approving the Program Manager's invoices is in place, with the exceptions noted later in this report; contract-required project and program status reports are being provided to M-DCPS; and procedures to manage the services provided through the PMSS contract have been established, albeit not in writing, in some cases.

Further, we found that in the majority of cases, (with exceptions noted later in this report), pass-through costs of consulting services are reasonable and adequately supported; properly approved work orders are issued for allowable contracted services; and contract deliverables are received prior to payment for services, (with exceptions noted later in this report).

Our audit also found opportunity to improve internal control over the management of the PMSS contract. Our findings mostly dealt with the quality of information and documentation, including the lack thereof, in some cases. A summary of our findings is listed below:

- *Although the results of our testing of payments to Parsons Brinckerhoff, Inc., (PB) for construction support services (i.e., project managers, project specialists, and project support staff) revealed that all sampled invoices were approved prior to being paid and the amounts* *paid were correct, we found inconsistencies in the approval of the other underlying documents. For example, while 65% of the timesheets accompanying the request for payment contained an approver's signature, 35% did not.*

- *The credentials listed in the resume of two contracted personnel did not meet the minimum requirements for the position categories and qualifications listed in the contract.*

- *Our testing of payments totaling $331,498 to PB for photographic documentation services provided by its sub-consultant also found inconsistencies in the underlying contracting documents pertaining to the number and identity of schools covered by the agreement for services. In addition, for 11 of 65 schools comprising Year 1 GOB projects, the established not-to-exceed limit for the number of "average site visits" was exceeded without prior written authorization. The agreement for this service does not specify what form the prior authorization must be in and staff indicated that the authorization was given verbally; however, there is no documentary evidence that the consultant was authorized to exceed the established limit. The total incremental cost of the additional site visits amounted to $2,400. In addition, the costs of photographic documentation services were not always allocated to the proper project. The misallocations identified in our sample for the applicable projects were approximately $47,500 over allocation and ($29,200) under allocation, resulting in $18,300 net over allocation. We also identified total overbilling of $6,000 related to the services provided though this work order for Year 1 GOB projects.*

- *Our testing of payments for photographic documentation services provided for Year 2 GOB projects found that, for 10 schools covered by the agreement for services, the District was invoiced and has paid the $1,250 fee for documenting existing conditions at each school twice. Pursuant to the agreement for services, each school should only be charged a single fee of $1,250 for documenting existing conditions. The District was credited $2,500 on a subsequent invoice, thereby, reducing the total overbilling for the cases in our sample from $12,500 to*

$10,000. Subsequent to our discussions with the Program Manager, its sub-consultant, and Facilities staff about invoicing errors, Facilities staff has indicated to us that an additional credit for the remaining duplicate payment of $10,000 is pending from the Program Manager.

- *Although various tasks are performed by both the OSF staff and the contracted Program Manager's employees managing the GOB projects, formal documentation for some processes and activities are not maintained. For example, procedures for managing the execution of the program management contract are not formalized in writing. The annual performance evaluation of the Program Manager is also not formally documented in writing.*

What We Recommend

Based on our audit conclusions, we have made six recommendations, as follows:

1.1 The OSF should document, in writing, its procedures for reviewing and approving payment requests from the Program Manager for construction support services. These procedures should include measures to ensure that documents are appropriately signed. Additionally, OSF staff with invoice review and approval authority should be trained in these written procedures.

2.1 The OSF should implement a system of quality control to ensure that Work Order Authorization Forms are prepared accurately, including showing the correct number of schools with the associated project ID. Additionally, the Program Manager should be instructed on the type of information required for proper invoicing, such as correctly identifying the number of photographs taken.

2.2 Contracted Project Managers should be required to obtain prior written authorization when exceeding established work order authorization limits.

2.3 When reviewing and authorizing PB's invoices, staff should verify that photographs have been taken for the schools invoiced.

3.1 Formal procedures for managing the services procured through the PMSS contract should be documented to ensure consistency in the process.

4.1 The OSF should formally document its contract-required annual assessment of PB performance. This provides a tool that can be used to monitor the implementation of feedback provided to the Program Manager and to assist management in making their decision relating to continuance of services. This evaluation should include information on the ability of the Program Manager to manage and coordinate efforts in completing assigned projects.

Our detailed findings and recommendations begin on page 12.

Internal Controls

The chart below generally summarizes our overall assessment of the internal controls in place over the management of the PMSS contract.

INTERNAL CONTROLS RATING			
CRITERIA	**SATISFACTORY**	**NEEDS IMPROVEMENT**	**INADEQUATE**
Process Controls		**X**	
Policy & Procedures Compliance		**X**	
Effect	**X**		
Information Risk	**X**		
External Risk	**X**		

INTERNAL CONTROLS LEGEND			
CRITERIA	**SATISFACTORY**	**NEEDS IMPROVEMENT**	**INADEQUATE**
Process Controls	Effective	Opportunities exist for improvement	Non-existent or unreliable
Policy & Procedures Compliance	In compliance	Non-compliance issues exist	Non-compliance issues are pervasive, significant, or have severe consequences
Effect	Not likely to impact operations or program outcomes	Impact on outcomes contained	Negative impact on outcomes
Information Risk	Information systems are reliable	Data systems are mostly secure but can be improved	Systems produce incomplete or inaccurate data which may cause inappropriate decisions.
External Risk	None or low	Potential for damage	Severe risk of damage

BACKGROUND

As part of the program management strategy to implement the voter-approved $1.2 billion GOB program, the District entered into a Program Management Support Services contract on May 8, 2013, with Parsons Brinckerhoff, Inc. The initial term of the agreement is for a period of seven (7) years from the effective date with options for renewal. The Office of School Facilities is responsible for managing this contract with PB. (See the partial organizational chart on the following page.)

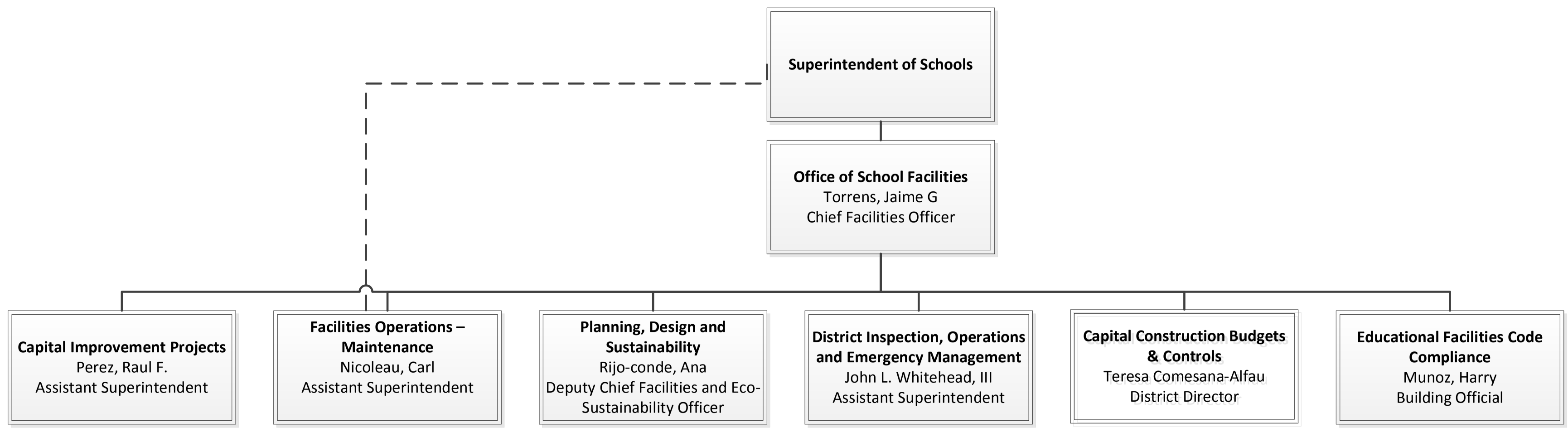
According to a document received from the OSF, through March 2016, 223[3] of 566 planned GOB projects have been completed. According to that document, as of the same date, approximately $277 million have been expended for facilities and technology improvements.

Through the PMSS agreement, the District procures various services, including professionals in the areas of design and construction, contractor prequalification, project scoping, scheduling and estimating, and project management at the various stages of project implementation (design, construction, closeout, warranty, and/or related services).

The Agreement requires that all services be performed in accordance with M-DCPS' procedures, standards, guidelines, policies, state laws, and codes. A work order is issued by the District with not-to-exceed hourly rates, multipliers, and consulting fee(s), where applicable, for each specific service provided by PB. During FY 2013-14 and 2014-15, since entering the contract with PB, M-DCPS has paid approximately $7.5 million on 150 work orders, to PB for program management contract services.

[3] Supra note 1, at page 1.

PARTIAL ORGANIZATIONAL CHART



OBJECTIVES, SCOPE AND METHODOLOGY

The objective of this audit was to determine whether an adequate system of internal control was in place for managing the PMSS contract by verifying the following:

- Work orders are issued for allowable contracted services and properly approved
- Contractual provisions are adhered to, including ensuring that:
    - contract deliverables are received prior to payment,
    - contract pricing rates—direct labor, multiplier, and fees—are used,
    - service needs and deliverables are filled in a timely manner,
    - applicable district policies and procedures are being followed, and
    - tools to ensure accountability are enforced when required.
- Control activities are effective for managing the PMSS contract.

The scope of our audit covered services procured through the PMSS contract during FY's 2013-14 and 2014-15. Our tests of compliance with contract provisions focused on selected contract terms we judgmentally deemed to have a higher degree of risk of non-compliance. We did not test the terms of the Agreement for legal and contractual sufficiency or whether or not the program management model, as effected via the PMSS contract, is advantageous to M-DCPS. In addition, the scope of the audit encompasses only the services mentioned above and does not include the broader GOB Program, including the construction projects initiated or completed under this Program. Audits of selected GOB projects that were completed or substantially completed under the broader GOB Program will be performed by the Office of Management and Compliance Audits at future dates.

We performed the following procedures to satisfy our audit objectives:

- Reviewed the construction PMSS contract.
- Obtained and reviewed Work Order Authorization Forms, purchase orders, and timesheets.
- Reviewed invoices and pass-through costs of consulting services for reasonableness, proper support, and appropriate approval.
- Reviewed sub-consultant structural engineering reports and photographs posted on sub-contractor's web site.
- Interviewed M-DCPS' staff from the OSF and OEO and PB personnel to obtain an understanding of the processes associated managing the PMSS contract and providing services through it.
- Attended selected weekly Construction Management meetings and reviewed agendas for appropriate training, issues identified and timely resolution, and attendance record of the meeting.
- Reviewed periodic project reports.
- Reviewed procedures, where available, for compliance to district policies.
- Performed various other audit procedures 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 conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

FINDINGS AND CONCLUSIONS

1. CONTROL ACTIVITIES SHOULD BE PERFORMED WITH CONSISTENCY

Issue

The principal services procured by M-DCPS through the Agreement are project management, specifically project manager and support staff direct labor. We tested the procurement of these services to determine whether adequate internal controls and contract management procedures are in place.

In performing our test, we designed a statistical sample using a 95% confidence level and a 10% margin of error. Using a random integer generator applied to the population of 79 Parsons' employees who provided services to M-DCPS, we selected a statistical sample of 44 contracted personnel. For the 44 contracted personnel selected, we examined a total of 85 invoice packets for the following:

- Work Order Authorization Form, invoice, purchase order, and timesheets are properly approved
- work order hourly rate and multiplier agree to the invoice and contract
- the position category and qualifications of the contracted personnel appear reasonable when compared to his/her credentials
- hours shown on the invoice agree to the timesheets
- contract wage term and limit are not exceeded
- payments are processed in a timely manner
- proper segregation of duties is in place

	The results of our testing of the 85 invoices disclosed the following: • All 85 invoices were properly approved for payment and the amounts paid were correct. • Fifty-five or 65% of the timesheets reviewed contained M-DCPS staff's signature of approval; however, 30 or 35% did not. • The credentials listed in the resumes of two contracted personnel did not meet the minimum requirements for the position categories and qualifications listed in the contract. We did not extrapolate to results of our tests across the entire population, but rather, report the rates of incidence as obtained from our audit tests.
Criteria, Standards, & Best Practices	The General Accountability Office's (GAO) *Standards for Internal Control In the Federal Government* (*Green Book*), Principle 10 – Design Control Activities, recommends that Management design appropriate types of control activities for the entity's internal control system, including a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.
Recommendation & Management's Response	**1.1 The OSF should document, in writing, its procedures for reviewing and approving payment requests from the Program Manager for construction support services. These procedures should include measures to ensure that documents are appropriately signed. Additionally, OSF staff with invoice review and approval authority should be trained in these written procedures. This will improve consistency in staff's performance of established control activities.**

	<u>Management's Response:</u> *OMCA sampled 85 invoices for different personnel provided under the Board's agreement with Parsons Brinckerhoff (PB) and confirmed that in no instance was there an overpayment for services provided. Out of those you indicated that all 85 were properly approved and amounts paid were correct; however, approximately 35% did not contain M-DCPS staff's signature on every document. Nevertheless, in your sample of 85:* • *there was no instance where PB personnel did not sign in or out on the timesheets kept on site,* • *there was no instance where there was a discrepancy between the time recorded by the PB personnel on the on-site timesheets and the summary provided by PB as part of the monthly invoice,* • *there was no instance where a sign-off and approval by M-DCPS staff was not provided as part of the monthly invoice review process.* *Based on prior discussions, the relevance of this finding is that different units may have reflected their approval in different formats and that for the sake of consistency across all units, a standardized or more uniform system of approval is desirable. Consequently, I issued a Directive (see Exhibit 1) to all locations utilizing PMSS on October 20, 2016 outlining a standardized format for approval of monthly invoices, along with a sample for illustration purposes.* *One of the contracted personnel included in this finding reported to the Office of Economic Opportunity as that office was engaged in its community outreach efforts. The other individual was contracted to assist the Capital Construction team with furniture fixtures and equipment (FF&E) logistics and the available job description closest to the services to be provided was used. We are in*

	agreement that in the future, where a job description is not available that precisely matches the desired functions, a new description should be created and added to Schedule A of the agreement.
Responsible Department	**Office of Schools Facilities**

2. CONTROLS OVER SUB-CONSULTANT SERVICES NEED IMPROVEMENT

Issue

The Parsons contract provides for consulting services to be procured on a project-by-project basis, or as continuing services through a sub-consultant. During the period under review, Parsons provided two types of consulting services—structural engineering analysis and photographic documentation of the construction projects—through sub-consultants, to M-DCPS. For the structural engineering services, Parsons applies a provisional multiplier rate of 1.85% or 1.95% to the sub-consultant's invoiced cost, depending on the year in which the services were provided. For the photographic documentation services, Parsons applies a 6% consulting fee to the sub-consultant's invoiced cost.

During the period under review, M-DCPS issued work orders for structural engineering and photographic documentation services totaling $96,439 and $435,378, respectively, to Parsons. Of these, we reviewed invoices amounting to $92,402 (96%) of the structural engineering services and $331,498 (76%) of the photographic documentation services.

Our review of these invoices disclosed that for the structural engineering services, proper authorization for the services was provided, rates and multipliers were in accordance with work orders and Parsons contract, and service deliverables were received by M-DCPS. For photographic documentation services, we found that proper authorization for the services was provided; however, the following conditions were noted:

- **Inconsistencies in the underlying contracting documents** – The Scope of Services accompanying the authorized work order for "Year 3 GOB Projects" lists 45 schools; however, there are 46 schools listed in the attached Exhibit A – School List. We also obtained the list of schools directly from the sub-consultant and noticed that it listed 47 schools and omitted Twin Lakes Elementary School, which is in the list of 45 schools.

- **Evidence of authorization to exceed established limit on the number of site visits was not documented** – The work order authorizing photographic documentation of the exterior/interior progress at the 65 schools comprising "Year 1 GOB Projects" allows for an "estimated three visits per school average (not to exceed three without authorization)." Our review of the related invoices found that 11 of 65 schools (17%) had more than three site visits and no written authorization for the additional site visits. The total incremental cost of the additional site visits amounted to $2,400.

  According to Facilities administrative staff, the additional visits were verbally authorized by the Project Managers who are the Program Manager's employees. While we acknowledge that the agreement for this service does not specify what form the prior authorization must be in; the lack of documentation prevents an independent reviewer from reliably verifying whether the consultant was authorized to exceed the established limit. Moreover, obtaining written approval for exceeding the established not-to-exceed limit harmonizes with an overarching tenet of the PMSS Agreement of expressly obtaining prior written authorization to effect deviations in the original work order.

	• **Overbilling of services** – In performing our testing of payments for photographic documentation services, we reviewed the sub-consultant's web-based tracking site to verify that pictures were taken for 20 of the schools listed in their invoice and found total overbilling of $6,000 related to photographic documentation services for "Year 1 GOB projects." The overbilling resulted from duplicate invoicing for three schools at the rate of $1,500 per school and erroneously invoicing M-DCPS $1,500 for services not provided at one school (Lakeview Elementary School). We informed Parsons about the inconsistency noted for Lakeview Elementary School and soon thereafter, the appropriate pictures were taken and posted to the sub-consultant's web-based tracking site. For one of the three cases mentioned above, two separate invoices for $1,500 each were submitted for payment, one for North Twin Lakes Elementary School and one for Twin Lakes Elementary School. However, there was only one project bearing any form of the "Twin Lakes Elementary" name in the lists of "Years 1, 2, or 3 GOB Projects." Our testing of payments for photographic documentation services provided for "Year 2 GOB Projects" found that, for 10 schools covered by the agreement for services, the District was invoiced and has paid the $1,250 fee for documenting existing conditions at each school twice. Pursuant to the agreement for services, each school should only be charged a single fee of $1,250 for documenting existing conditions. The District was credited $2,500 on a subsequent invoice, thereby, reducing the total overbilling for the cases in our sample from $12,500 to $10,000. Subsequent to our discussions with the Program Manager, its

sub-consultant, and Facilities staff about the invoicing errors, Facilities staff indicated to us that an additional credit for the remaining duplicate payment of $10,000 is pending from the Program Manager.

In addition, the sub-consultant conducted its own document review and corroborated a number of the observations noted above.

- **Questions about allocating photographic documentation services costs to proper project** – For six invoices, we noted that schools identified in the sub-consultant's invoices were not listed in the purchase orders that allocated the costs to the projects, thus creating a misallocation of project costs to the other schools listed in the invoice. The misallocations identified in our sample for the applicable projects were approximately $47,500 over allocation and ($29,200) under allocation, resulting in $18,300 net over allocation.

  Parsons' lead contract representative stated that a reconciliation of expenditures will be performed and any misallocation of costs will be corrected.

The foregoing conditions will result in errors in project information and payment of expenses. Also, the conditions noted above suggest that there is a need for increased diligence in the Program Manager's review of its sub-consultant's invoices prior to requesting payment from M-DCPS. It is a reasonable expectation that the management services the Program Manager provides to M-DCPS would encompass a quality review of the amounts charged to the District on behalf of its employees and sub-consultants.

Criteria, Standards, & Best Practices	GAO's *Green Book*, Principle 13 – Use Quality Information, defines quality information as appropriate, current, complete, accurate, accessible, and provided on a timely basis. It recommends that Management, through a designed process, evaluate both internal and external sources of data for reliability, which would contribute to information quality. The PMSS Agreement, under Article 1 – *Program Manager's Responsibilities,* and Article 2 – *Board's Responsibilities*, establishes an overarching principle that any deviation from the scope of services, including compensation, set forth in the Work Order Authorization must be expressly approved by the Board in writing before the Program Manager performs any services attributable to the deviation. In addition, M-DCPS procedures and standard business practice for approving payment to vendors requires that the invoice be reviewed for accuracy and the receipt of goods or services be verified prior to approving payment.
Recommendation & Management's Response	**2.1 The OSF should implement a system of quality control to ensure that Work Order Authorization Forms are prepared accurately, including showing the correct number of schools with the associated project ID. Additionally, the Program Manager should be instructed on the type of information required for proper invoicing, such as correctly identifying the number of photographs taken.** <u>*Management's Response:*</u> *[None; however, see management's comments (with Auditor's Note of*

Clarification inserted) appearing in their response to the finding they have labeled "Finding #3" in their written response, which appears in pages 33 through 35 of this report.]

Auditor's Comment:

While we appreciate the effort management makes in providing an explanation for the conditions noted in our audit finding, the written response received from management, however, does not address this recommendation or offer any corrective actions.

2.2 Contracted Project Managers should be required to obtain prior written authorization when exceeding established work order authorization limits.

Management's Response:

Multi-Vista provides photographic services for all GOB funded projects and typically visits each site at three different times, prior, during and post construction completion. For anyone site, there are literally several hundred shots taken and although seldom, there may a need to go back to a site to document a specific condition. More often than not, under those unique instances, a verbal authorization may be provided, followed by the appropriate paperwork. OSF has several hundred projects in play at any given time and at various stages, and it's not practical or realistic to expect that under special conditions, a verbal authorization for needed work should be withheld until the paperwork is processed, which can take several days.

	The critical element is that senior M-DCPS management in the Capital unit properly followed up with the required paperwork. It should also be noted that the cost of the services initially authorized verbally represented 0.7% of the total cost of the services tested further evidencing that this practice is an exception and not the rule. ***<u>Auditor's Comment:</u>*** *We appreciate management's attempt of providing an explanation for the conditions noted in the related audit finding, however, we offer the following in an effort to clarify the issue at hand.* *The photographic services are routine in nature, not within a project's critical path, and their performance is not narrowly constrained by a specific time or event during a project's life-cycle. This fact allows for the timely scheduling of the site visits as would be done for any other project-related services performed on a project, and would add no delay to a project's completion. Additionally, in response to our multiple requests for documentation approving the additional site visits, we only received an email from OSF management stating that the authorizations, in most cases, were verbal. We were not made aware of any further follow-up paperwork being issued. Finally, we recognize that in isolation, the total dollar value of the exceptions is small compared to the value of the contracts for photographic services; however, the number of incidents found in our audit sample was significant and represents a control weakness which should be addressed.*

	2.3 When reviewing and authorizing PB's invoices, staff should verify that photographs have been taken for the schools invoiced. *<u>Management's Response:</u>* *[None; however, see management's comments (with Auditor's Note of Clarification inserted) appearing in their response to the finding they have labeled "Finding #3" in their written response, which appears in pages 33 through 35 of this report.]* ***<u>Auditor's Comment:</u>*** *While we appreciate the effort management makes in providing an explanation for the conditions noted in our audit finding, the written response received from management, however, does not address this recommendation or offer any corrective actions.*
Responsible Department	**Office of Schools Facilities**

3. PROCEDURES FOR MANAGING THE EXECUTION OF THE PROGRAM MANAGEMENT CONTRACT ARE NOT FORMALIZED IN WRITING	
Issue	In order to determine whether written procedures were in place for managing the services procured through the Parson agreement, we requested copies of procedures used for the stated purpose. In response to our request, we did not receive formal documented procedures, but instead, received emails describing the process of reviewing and paying Parsons' invoices. Written standard operating procedures provide structure, a tool for staff development, and consistency of outcome.
Criteria, Standards, & Best Practices	GAO's *Green Book*, Principle 12 – Implement Control Activities, recommends that each unit, with guidance from management, document policies in the appropriate level of detail to allow management to effectively monitor the control activity. It further indicates that those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. The *Green Book* also lists documentation as a required part of an effective internal control system and serves to demonstrate the design, implementation, and operating effectiveness of the system.
Recommendation & Management's Response	**3.1 In order to promote effectiveness, provide uniform guidance to staff, and establish a tool for training staff, management should delineate, in writing, the various procedures performed in managing the services procured through the PMSS contract.**

Having written procedures, which are used in managing the said services, would ensure consistent outcomes.

Management's Response:

The PMSS services provided to the District by PB consist almost exclusively of personnel. The process for requesting and obtaining those services is clearly articulated in the governing agreement, which contains the actual work order form required to be approved by both PB and the District. Because the personnel are not District employees but rather PB employees, hiring protocol, training and clearance activities are the sole responsibility of PB. Consequently, there is no need for additional procedures beyond the very clear process and form articulated and included in the agreement for PMSS. In the event the District requires consulting services included under the umbrella of the agreement between PB and the District, the process through which such services are requested and obtained is similarly articulated in the agreement.

Auditor's Comment:

While the PMSS agreement articulates how the services covered by the agreement are procured, it does not, nor is expected to articulate the appropriate operating procedures for managing the delivery of the services once purchased. For example, management should have procedures in place to ensure that the services received and amounts charged are in agreement with the approved work order and not duplicative, and to ensure contract performance is effectively monitored.

Responsible Department	**Office of Schools Facilities**

4. THE ANNUAL PERFORMANCE EVALUATION OF THE PROGRAM MANAGER SHOULD BE FORMALLY DOCUMENTED	
Issue	The contract stipulates that the Program Manager shall be evaluated on their performance annually, which may be used in connection for consideration for renewal of the agreement. We inquired about the mechanism and methodology Facilities use to evaluate Parsons performance and to provide them feedback annually and whether the evaluation is documented in writing. Facilities' Management stated that the evaluation mechanism and methodology used entailed annual meetings with Parsons where Parsons' performance was verbally discussed but not documented in writing. The only documentation of the meetings provided to us was the Outlook calendar invitations.
Criteria, Standards, & Best Practices	Standard business practice dictates that certain important processes that yield information for making significant decisions, such as continuing a contractual relationship be formally documented. The *Green Book* also lists documentation as a required part of an effective internal control system and serves to demonstrate the design, implementation, and operating an effectiveness system.
Recommendation & Management's Response	**4.1 The OSF should formally document its contract-required annual assessment of PB's performance. This provides a tool that can be used to monitor the implementation of feedback provided to the Program Manager and to assist management in making their decision relating to the continuance of services. This evaluation should include information on the ability of the prime contractor**

	and sub-consultant to manage and coordinate efforts in completing assigned projects. *<u>Management's Response:</u>* *As to the comment regarding formal documentation of the District's annual evaluation of PB, we have developed a form for future use in such instances. It should be noted that we have met at least once each year with the PB representatives responsible to the Board for an evaluation of the PMSS provided by the firm. Because those services consist mostly of personnel, there is also an on-going evaluation of said personnel and the District has in the past terminated or not renewed a work order where performance was not satisfactory.*
Responsible Department	**Office of Schools Facilities**

OTHER AUDIT TESTING AND CONCLUSIONS	
Development of Labor Rates Contained in the Contract	In order to determine whether the labor rates in the PMSS contract are reasonable in relation to market rates, we performed various auditing procedures, including inquiring of OSF management and Parsons about the method used in developing the labor rates, reviewing the documentation resulting from the process, and reviewing labor rates from various independent sources. Our audit found that in developing the labor and overhead rates, OSF staff completed a number of different tasks, including consulting with other large school districts, other M-DCPS departments, and attorneys. Staff also researched labor rates from different independent sources as well as held several negotiation meetings with Parsons to arrive at the agreed-upon rates. Based on the auditing procedures performed, we conclude that management applied a reasonable level of due diligence when developing the labor and overhead rates contained in the PMSS contract.
Providing M-DCPS With Periodic Reports	The PMSS contract requires the Program Manager to prepare and provide the Board with monthly status reports throughout all phases of each project and the overall program. Weekly, the Program Manager provides a report on the progress and status of ongoing projects to Facilities. The Program Manager is compliant with this contract provision.

Assessing the Employee vs Employer Relation of Parsons and M-DCPS	Based on preliminary assertions and information received from the OSF staff, coupled with the fact that most of the contracted Project Managers are former M-DCPS employees who were recently separated from M-DCPS, we performed a review to ensure the District's classification of these persons is compliant with the Internal Revenue Service (IRS) rules. We researched the Internal Revenue Code (IRC), court rulings, and IRS' Revenue Procedures (Rev. Proc.) and guidelines, including the IRS' "20 Factor Test" for determining whether an independent contractor or employee relationship exists. We also met with senior staff from the OSF, Parsons' Program Manager, and attorneys from the School Board Attorney's Office. Based on the auditing procedures we performed, we conclude that the Parsons personnel are not deemed M-DCPS employees and are properly classified.
Recommendation	**None**

MANAGEMENT'S RESPONSES

(with Auditor's Notes of Clarification inserted)

MEMORANDUM **November 17, 2016**

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

FROM: Jaime G. Torrens, Chief Facilities Officer
Office of School Facilities Jaime G Torrens/by an

SUBJECT: RESPONSE TO AUDIT OF CONSTRUCTION MANAGEMENT SUPPORT SERVICES CONTRACT

We appreciate the professional and courteous manner in which the Office of Management and Compliance Audits (OMCA) conducted the above referenced audit of the Program Management Support Services (PMSS), despite any differences of opinion on some of the audit report findings. We have reviewed the final draft of the audit report provided on November 14, 2016 and offer the responses outlined below and where applicable, supporting documentation.

Finding #1

"Although the results of our testing of payments to Parsons Brinckerhoff, Inc., (PB) for construction support services revealed that all sampled invoices were approved prior to being paid and the amounts paid were correct, we found inconsistencies in the approval of the other underlying documents. For example, while 65% of the timesheets accompanying the request for payment contained an approver's signature, 35% did not."

Management's Response

OMCA sampled 85 invoices for different personnel provided under the Board's agreement with Parsons Brinckerhoff (PB) and confirmed that in no instance was there an overpayment for services provided. Out of those you indicated that all 85 were properly approved and amounts paid were correct; however, approximately 35% did not contain M-DCPS staff's signature on every document. Nevertheless, in your sample of 85:

- there was no instance where PB personnel did not sign in or out on the timesheets kept on site,
- there was no instance where there was a discrepancy between the time recorded by the PB personnel on the on-site timesheets and the summary provided by PB as part of the monthly invoice,
- there was no instance where a sign-off and approval by M-DCPS staff was not provided as part of the monthly invoice review process.

Based on prior discussions, the relevance of this finding is that different units may have reflected their approval in different formats and that for the sake of consistency across all units, a standardized or more uniform system of approval is desirable. Consequently, I issued a Directive (see Exhibit 1) to all locations utilizing PMSS on October 20, 2016 outlining a standardized format for approval of monthly invoices, along with a sample for illustration purposes.

Finding #2

"The credentials listed in the resume* of two *contracted personnel did not meet the minimum requirements for the position categories and qualifications listed in the contract."

Management's Response

One of the contracted personnel included in this finding reported to the Office of Economic Opportunity as that office was engaged in its community outreach efforts. The other individual was contracted to assist the Capital Construction team with furniture fixtures and equipment (FF&E) logistics and the available job description closest to the services to be provided was used. We are in agreement that in the future, where a job description is not available that precisely matches the desired functions, a new description should be created and added to Schedule A of the agreement.

Finding #3 (addressed in three segments for ease of reference)

"Our testing* of *payments totaling* $331,498 to *PB for photographic documentation services provided by its sub-consultant also found inconsistencies in the underlying contracting documents pertaining* to *the number and identity* of *schools covered by the agreement for services. In addition, for* 11 of 65 *schools comprising Year* 1 *GOB projects, the established not-to-exceed limit for the number* of *"average site visits" was exceeded without prior written authorization. The agreement for this service does not specify what form the prior authorization must be in and staff indicated that the authorization was given verbally; however, there is no documentary evidence that the consultant was authorized* to *exceed the established limit. The total incremental cost* of *the additional site visits amounted* to *$2,400.

Management's Response

Multi-Vista provides photographic services for all GOB funded projects and typically visits each site at three different times, prior, during and post construction completion. For anyone site, there are literally several hundred shots taken and although seldom, there may a need to go back to a site to document a specific condition. More often than not, under those unique instances, a verbal authorization may be provided, followed by the appropriate paperwork. OSF has several hundred projects in play at any given time and at various stages, and it's not practical or realistic to expect that under special conditions, a verbal authorization for needed work should be withheld until the paperwork is processed, which can take several days. The critical element is that senior M-DCPS management in the Capital unit properly followed up with the required paperwork. It should also be noted that the cost of the services initially authorized verbally represented 0.7% of the total cost of the services tested further evidencing that this practice is an exception and not the rule.

Auditor's Note of Clarification

We appreciate management's attempt of providing an explanation for the conditions noted in the related audit finding, however, we offer the following in an effort to clarify the issue at hand.

The photographic services are routine in nature, not within a project's critical path, and their performance is not narrowly constrained by a specific time or event during a project's life-cycle. This fact allows for the timely scheduling of the site visits as would be done for any other project-related services performed on a project, and would add no delay to a project's completion. Additionally, in response to our multiple requests for documentation approving the additional site visits, we only received an email from OSF management stating that the authorizations, in most cases, were verbal. We were not made aware of any further follow-up paperwork being issued. Finally, we recognize that in isolation, the total dollar value of the exceptions is small compared to the value of the contracts for photographic services; however, the number of incidents found in our audit sample was significant and represents a control weakness which should be addressed.

"In addition, the costs* of *photographic documentation services were not always allocated to proper project. The misallocations identified in our sample for the applicable projects were approximately $47,500 over allocation and ($29,200) under allocation, resulting in $18,300 net over allocation."

Management's Response
This comment pertains to the accounting treatment for allocation of cost of these services by project, which is reconciled on an on-going basis and reallocated as appropriate. It is not an overpayment, nor the result of overbilling in this instance.

Auditor's Note of Clarification

Our finding pertains only to the costs related to photographic services. We have not opined on whether other project costs are reconciled on an on-going basis and reallocated as appropriate. Our audit inquiry and testing have verified that costs related to photographic services that were erroneously allocated to the wrong projects were not reconciled and reallocated to the correct projects. Additionally, some of the invoices that resulted in overpayments and overbillings included costs that were misallocated.

"We also identified total overbilling* of *$6,000 related to the services provided though this work order for Year* 1 *GOB projects."

Management's Response

This finding pertains to photographic services performed for four (4) schools: Twin Lakes Elementary, Devon Aire K-8 Center, Lakeview Elementary and Hialeah-Miami Lakes Senior.

As it relates to Twin Lakes Elementary, photos were taken of North Twin Lakes Elementary instead and billed. Once the discrepancy was identified as part of the District review process, photos were taken of Twin Lakes and posted. Consequently, despite the initial error, both schools were properly photographed with no resulting overpayment.

In the remaining three instances, the schools were erroneously billed twice; however, upon reconciliation, the District received a full credit for the duplicate billing.

Auditor's Note of Clarification

The discrepancies were noted during the auditors' review of payments made to the vendor providing photographic services. The duplicate amounts were invoiced to and paid by M-DCPS. When the auditors identified the duplicate payments and brought the matter to the attention of OSF personnel, the program manager, and the vendor; the program manager and vendor did take measures to rectify the discrepancies, including agreeing to not invoice M-DCPS for an equivalent number of photos that were already taken at other projects but not yet invoiced for, thereby, offsetting the overpayment.

According to the District's GOB Capital Plan and Capital Construction Project Summaries for Year 1, 2, and 3, Twin Lake Elementary, Project No. 01435600, is a "GOB Year 3" renovation and remodeling project. In the GOB Capital Plan, North Twin Lakes Elementary, Project No. 01520600, is listed as a "GOB Year 4" renovation and remodeling project. The Work Order Authorization for photographic services for "GOB Year 3 Projects" did list a project titled "North Twin Lakes Elementary" bearing the project number of Twin Lakes Elementary (01435600). Photographs should neither have been taken at North Twin Lakes Elementary, nor billed for or paid since it is a "GOB Year 4 Project" for which an Authorized Work Order was not issued.

Finding #4

"Our testing* of *payments for photographic documentation services provided for Year 2 GOB projects found that, for 10 schools covered by the agreement for services, the District was invoiced and has paid the $1,250 fee for documenting existing conditions at each school twice. Pursuant to the agreement for services, each school should only be charged* a *single fee* of *$1,250 for documenting existing conditions. The District was credited $2,500 on* a *subsequent invoice, thereby, reducing the total overbilling for the cases

in our sample from $12,500 to $10,000. Subsequent to our discussions with the Program Manager, its sub-consultant, and Facilities staff about invoicing errors, Facilities staff has indicated to us that an additional credit for the remaining duplicate payment* of *$10,000 is pending from the Program Manager."

Management's Response

This instance of overbilling was detected in March of 2015 and a credit memo issued at that time by Multi-Vista to PB (see Exhibit 2). PB subsequently provided a credit adjustment to the District in the amount of $8,750 with the remaining credit to be issued against the next invoice.

Finding #5

Although various tasks are performed by both the OSF staff and the contracted Program Manager's employees managing the GOB projects, formal documentation for some processes and activities are not maintained. For example, procedures for managing the execution* of *the program management contract are not formalized in writing. The annual performance evaluation* of *the Program Manager is also not formally documented in writing."

Management's Response

The PMSS services provided to the District by PB consist almost exclusively of personnel. The process for requesting and obtaining those services is clearly articulated in the governing agreement, which contains the actual work order form required to be approved by both PB and the District. Because the personnel are not District employees but rather PB employees, hiring protocol, training and clearance activities are the sole responsibility of PB. Consequently, there is no need for additional procedures beyond the very clear process and form articulated and included in the agreement for PMSS. In the event the District requires consulting services included under the umbrella of the agreement between PB and the District, the process through which such services are requested and obtained is similarly articulated in the agreement.

Auditor's Note of Clarification

We appreciate management's response to the finding; however, we believe the essence of the audit recommendation might not have been fully understood. While the PMSS agreement articulates how the services covered by the agreement are procured, it does not, nor is expected to articulate the appropriate operating procedures for managing the delivery of the services once purchased. For example, management should have procedures in place to ensure that the services received and amounts charged are in agreement with the approved work order and contract performance is effective monitored. In other words, the measures that staff need to take after the agreement has been executed and the work order has been issued. We believe that OSF could benefit from having written procedures on managing and monitoring the services procured under the PMSS agreement, which could have eliminated a number of the errors and inconsistencies noted in the audit findings.

As to the comment regarding formal documentation of the District's annual evaluation of PB, we have developed a form for future use in such instances. It should be noted that we have met at least once each year with the PB representatives responsible to the Board for an evaluation of the PMSS provided by the firm. Because those services consist mostly of personnel, there is also an on-going evaluation of said personnel and the District has in the past terminated or not renewed a work order where performance was not satisfactory.

In closing, as we surpass the $500 million mark for General Obligation Bond projects in progress or completed, the work of the Office of Management and Compliance Audits is essential to assure accountability and transparency to Miami-Dade County taxpayers. We appreciate your recommendations for process improvement and look forward to an ongoing collaboration as we deliver the $1.2 billion Bond Program.

JGT:cb
M116
Attachments

cc: Ms. Ana Rijo-conde
Mr. Raul Perez
Ms. Tabitha Fazzino
Ms. Terry Comesana-Alfau

EXHIBIT 1

Rijo-conde, Ana F.

From:	Torrens, Jaime G.
Sent:	Thursday, October 20, 2016 12:10 PM
To:	Fazzino, Tabitha G.; Beraldi, Cynthia R.; Nicoleau, Carl; Comesana-alfau, Teresa A.; Huber, Maria A.; Munoz, Harry W.; Perez, Raul F.; Rijo-conde, Ana F.; WHITEHEAD, JOHN
Cc:	White, Glen
Subject:	Directive
Attachments:	Sample Packet.pdf
Importance:	High

Directive

In an effort to attain procedural consistency, effective immediately, including any unprocessed invoices, the steps outlined below are to be followed by all Departments procuring program management support services from Parsons Brinkerhoff (PB) as it relates to approval and processing of invoices for PB personnel and services. While all invoices are currently reviewed and signed off by each department administrator (District staff), establishing procedural consistency is desirable going forward.

1. PB personnel are to continue signing in and out daily using on-site (office based) timesheets to record their time;
2. As each monthly invoice is submitted to the District for processing, each District line administrator is to:
    a. provide the appropriate summary sheets to each PB staff member for their review and validation against the recorded on-site timesheet;
    b. receive the validated summary sheet (signed by the PB staff member),
    c. compare the summary sheet against the on-site timesheets, then, if correct,
    d. sign and date on the line titled 'Approved by__________,'
    e. forward the signed documents to their respective department administrator.
    Note: If the information provided by PB is inaccurate, the unit administrator is to return it to the PB rep (Glen White) for his review and corrective action. Once the corrected packet is returned, the above procedure should then be followed
3. Each department administrator is to review the information provided by his/her line administrators, and if in agreement, sign off and date the cover letter that accompanies the monthly invoice.

A sample packet is provided for your guidance and ease of reference.

Thank you for your compliance. Please let me know if you have any questions.

Jaime G. Torrens
Chief Facilities Officer
Miami-Dade County Public Schools
(305) 995-1401

EXHIBIT 2

Multivista
277 SE 5th Avenue
Delray Beach, FL 33483
CHANGING THE WAY THE CONSTRUCTION INDUSTRY DOCUMENTS PROJECTS

Credit Memo

Date	Credit #
03/05/2015	3694

Applied to invoices 3255 & 3691 on 7/1/16

Credit To
Parsons- Year 2 Existing Conditions 2202 North West Shore Blvd Suite 300 Tampa, FL 33607

MVID	Job Name
31290 Year 2 existing	Miami Dade County Schools

Date	Activity	Quantity	Rate	Amount
02/27/2015	Monthly Documentation Services for the Miami Dade County Schools			10,000.00
03/05/2015	Deducting 8 schools previously billed in error twice previously 8 x 1250.00=$10,000.00			

Project #	Project Name	Previous invoice #s
0132990	Cope Center North	#3138
01331100	Eugenia B Thomas	#3138
01331200	G Holmes Braddock SHS	#3138
0329400	Bob Graham Ed. Center	#3138
01330500	Coral Reef SHS	#3138
01330500	South Miami K8 Center	#3138
0332800	Kensington Park Elementary	#3255
01335100	Royal Green Elementary	#3255

Total Credit	$10,000.00

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.

Boy Scouts of America Equal Access Act of 2002 – no public school shall deny equal access to, or a fair opportunity for groups to meet on school premises or in school facilities before or after school hours, or discriminate against any group officially affiliated with Boy Scouts of America or any other youth or community group listed in Title 36 (as a patriotic society).

***Veterans** are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (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: (07.14)

INTERNAL AUDIT REPORT

AUDIT OF
CONSTRUCTION PROGRAM MANAGEMENT
SUPPORT SERVICES CONTRACT

MIAMI-DADE COUNTY PUBLIC SCHOOLS
Office of Management and Compliance Audits
1450 N.E. 2nd Avenue, Room 415
Miami, Florida 33132
Telephone: (305)995-1318 ♦ Fax: (305)995-1331
http://mca.dadeschools.net