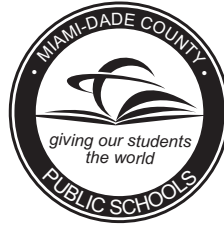


Follow-up Review Report

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



DISTRICT FACILITY LEASING PRACTICES



Management has implemented all of the recommendations
in our prior audit report to our satisfaction.

March 2011

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Mr. Carlos L. Curbelo
Mr. Renier Diaz de la Portilla
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

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

Contributors to This Report:

Review Performed by:
Mr. Norberto Ferradaz, CPA

Reviewed and Supervised by:
Mr. Trevor L. Williams, CPA



TABLE OF CONTENTS

	Page Number
EXECUTIVE SUMMARY AND CONCLUSIONS	1
BACKGROUND	4
OBJECTIVE, SCOPE AND METHODOLOGY	4
CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS	5



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Miami-Dade County School Board
Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Carlos L. Curbelo
Renier Diaz de la Portilla
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Raquel A. Regalado

March 23, 2011

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

Ladies and Gentlemen:

In accordance with School Board Rule 6Gx13-2C-1.14, Section IV and the approved Audit Plan for FY 2010-2011, we have reviewed the actions taken by management to implement the recommendations included in our prior internal audit report District Facility Leasing Practices, issued on June 26, 2007. The audit objectives were to determine whether the District had adequate controls over the leasing function to assure that the facilities and related rental revenues and expenditures were reasonable, properly administered, contracted and accounted for.

EXECUTIVE SUMMARY AND CONCLUSIONS

Summary of Prior Audit –

In our audit report, we concluded that the leasing process adequately provided for the District's supplemental space needs and at a reasonable cost except for an instance of cost overruns by the District that resulted from retrofitting a facility under lease. Although the Department of Planning, Design and Sustainability (formerly Facilities Planning), in the Office of School Facilities was not involved with managing that construction work, the finding was included as a separate matter in that audit, which also found opportunities to improve the lease process by formalizing procedures and enhancing documentation, as well as centralizing and logging the collection of rental revenues.

We made nine (9) recommendations to improve conditions noted. Management was in general agreement with our recommendations and provided responses indicating the findings would be addressed.

Summary Results of Follow-up Review –

Our follow-up review concludes that management fully implemented each of the nine (9) recommendations.

- Our review revealed the Department of Planning Design and Sustainability (Department of Planning) did finalize and post to the department's collaborative Web site a policies and procedures manual, thus assuring consistent application of leasing, as well as land acquisition/disposal and property management guidelines. The detailed information in the manual can also be used for training new staff.
- The lease files examined indicate that appropriate critical documentation such as, Board items, agreements, record of negotiations, with necessary approvals and evaluations indicating landlords fulfilled their responsibilities to the satisfaction of user departments, before leases are renewed was retained.
- The Procedures Manual implemented by the Department of Planning stipulates that revenue generating leases must include penalties for late payments, and also designate the Department as the central location to collect, log and process all rental payments received by the District.
- The Manual includes the criteria for identifying capital leases and requires that they be reviewed in coordination with the Controller's Office. According to the Department of Planning, no new capital leases have been entered into since the 2007 audit. Accordingly, the lease purchase agreement discussed in the 2007 audit remains as the only capital lease for the District. We verified that lease transaction is properly reported in the financial statements.
- Our 2007 audit reported that the District had incurred construction cost overruns resulting from retrofitting a property that was leased to relieve school overcrowding. Responsibility for managing that construction work had not been assigned to the Department of Planning, but to Facilities Design and Contraction. As indicated above, there were no new leases that required capital construction expenditures by the District during the period subsequent to the 2007 audit. We selected that original lease for review and found it was amended in October 2010, upon the expiration of the initial five-year agreement. In order to continue using the classroom space needed by the District, the Department of Planning utilized cost containment strategies and negotiated a lease extension until June 30, 2013. Under the revised terms, the monthly rental rate charged to the District was significantly reduced from approximately \$93,000 (\$20 per square foot) in the final year of the initial agreement to approximately \$45,800 (\$9.86 per square foot) for the 12 months starting July 1, 2011,

when rental payments will commence under the extended agreement. That agreement also allowed for rental and Common Area Maintenance (CAM) payments for the eight months from November 2010 to June 2011 to be waived and the monthly rental rate in the third and final year of the said agreement to be \$13.44 per square foot.

We acknowledge the efforts made by the Department of Planning, Design and Sustainability to implement our audit recommendations and improve operations. We commend management for their responsiveness and the high measure of accountability accepted in addressing these audit findings and recommendations.

Sincerely,

A handwritten signature in black ink, reading "Jose F. Montes de Oca". The signature is fluid and cursive, with the first name "Jose" and last name "Montes de Oca" clearly legible.

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

BACKGROUND

The Department of Planning, Design and Sustainability (Department of Planning) within the Office of School Facilities is responsible for managing the District's centralized facilities leasing function and ensuring that the District's space needs are met. This department is also responsible for leasing District-owned property to other agencies and entities under certain conditions, as allowed by State laws and School Board rules. These duties are only part of the department's responsibilities, which principally include advance planning, site selection and acquisition, and developmental impact fee monitoring.

The number of leases has been reduced since our 2007 audit, as the District continues to relocate to School Board-owned facilities various functions that were previously conducted from leased facilities.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this follow-up review was to determine the progress and extent of the implementation of management's plans of action for addressing the nine (9) recommendations made in our June 2007 audit report. The review covered actions taken by management resulting from the recommendations, subsequent to issuing the original audit report, through December 2010.

We performed the following procedures to satisfy our objectives:

- Interviewed district staff;
- Reviewed the organizational structure, policies, procedures, applicable regulations, statutes, and School Board rules;
- Examined, on a sample basis, reports, checklists, correspondences and supporting documentation used by the Department of Planning, Design and Sustainability in connection with activities related to our audit recommendations; and
- Performed various other procedures deemed necessary.

This performance audit follow-up review is not an audit, and as such, was not conducted in accordance with generally accepted government auditing standards. This review is intended to provide a current status on audit findings and recommendations. However, we believe that the evidence obtained and reviewed provides a reasonable basis for our conclusions on the status of those audit findings and recommendations. This follow-up review did not include a specific assessment of the overall internal controls.

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
1. General Observations	1.1 Finalize and implement newly revised leasing procedures and include them in a policy and procedures manual to ensure consistency and uniformity of leasing practices.	Office of Facilities Planning: The Site Leasing procedures manual was finalized and posted to the Department's Collaborative Website. The document is used to ensure consistency and uniformity of leasing practices, and can also be used to train new hires.	FULLY IMPLEMENTED: The Manual created by the Department of Planning provides comprehensive procedures to address issues of concern to the District in connection with leasing activities. The information can be used to insure consistent application of guidelines for the leasing function and for training new staff.
	1.2 Reevaluate the current filing system and consider using checklists to ensure completeness and to document supervisory review.	Office of Facilities Planning: Files for recent leases are maintained with separate sections as appropriate, among them: Lease agreements/amendments; Board actions; miscellaneous correspondence related to change of address, Certificates of Occupancy, lease commencement date, CPI adjustments; and general correspondence (in chronological order). Lease files for older leases containing many volumes of documents dating back several years	FULLY IMPLEMENTED: The filing system and documentation maintained in the official lease files reviewed were deemed to be satisfactory and included proof of supervisory review.

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
		are kept in chronological order, given the frequent need to access these documents. For Board as Lessee, separate files dealing with lease payments or other obligations are generally maintained with separate sections containing: lease agreements/amendments; Board actions; purchase orders/encumbrance information; and payment information.	
	1.3 Implement a formal performance evaluation process to support the lease renewal process.	Office of Facilities Planning: The Department confers with site administrators as needed to resolve issues that may on occasion arise within a lease facility (Board as Lessee), and securing written confirmation from the site administrators prior to renewal. A survey has also been developed and issued to the respective site administrator seeking input on the facility's deliverables and other lease terms (Exhibit 1). <i>[Auditors' note: Exhibit 1 is omitted for reporting purposes.]</i>	FULLY IMPLEMENTED: The Department of Planning has implemented a satisfactory performance evaluation process for the renewal of leases.

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
2. Establish Collection Controls Over Rental Income Received	2.1 Revise lease agreements to delineate rentals collection provisions.	Office of Facilities Planning: Subsequent to the audit, the District entered into four new leases (Board as Lessor), where rent is collected. These leases are for the commercial leasing of Board-owned parking lots. In each instance, the agreement includes a provision for the assessment of a financial penalty (Prime Rate plus 2%), when rent is not paid to the District on time. To date, financial penalties for late payment of rent have been assessed 11 times, with additional funds in the combined amount of \$439.25 collected.	FULLY IMPLEMENTED: The lease agreement document now includes appropriate wording to assure collection of late fees and receipt of rentals by a central office in the District.
	2.2 Establish collection controls that include identifying a single central point for receiving rental revenues, and using a receipt log to document collections	Office of Facilities Planning: Subsequent to the audit, the Department initiated receipt of all rental payments (Board as Lessor). Department staff verify accuracy of the check amount, log its receipt and then forward it to Accounting for handling. Recently, Accounting has requested that where a check is made payable to a particular school and that school receives 100% of the revenue, those	FULLY IMPLEMENTED: The Department of Planning developed and maintains two separate spreadsheets to help control the lease receipts and the lease payment functions of the Department. The information included on the spreadsheets provides control over the rental receipt and disbursement functions

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
		checks be routed by the Department directly to the school in question (Exhibit 2). <i>[Auditors' note: Exhibit 2 is omitted for reporting purposes.]</i>	performed by the department.
3. Develop Procedures to Ensure Proper and Timely Reporting of Capital Leases	3.1 Develop procedures to review all long-term lease transactions in collaboration with the Office of the Controller to determine whether they meet the criteria of a capital lease.	Office of Facilities Planning: Prior to the audit, there was one capital lease. Subsequent to the audit, no leases have been entered into that meet the capital lease criteria. In the future, at such time as any new lease is entered into that may be defined as such, the document will be vetted through the Office of the Controller for a determination.	FULLY IMPLEMENTED: The Department of Planning Procedures Manual includes the criteria for identifying capital leases and requires that they be reviewed in coordination with the Controller's Office. Further, our review revealed that in July 2008, the District decided to exercise the purchase option for the parking spaces leased from the Village of Pinecrest for Palmetto Senior High School. This is the only capital lease in existence at the District. This capital lease is appropriately reported in the District financial statements.

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
4. Non-standard Design Features to Retrofit a Leased Facility Result in Budget Cost Overruns	4.1 Exercise better judgment and implement cost containment strategies to avoid incurring excessive cost on temporary lease facilities.	Office of Schools Facilities: Every effort will be made to minimize or avoid the expenditure of District funds on a temporary lease facility. Any negotiations requiring a capital expenditure by the Board (whether construction is to be completed by the District or the landlord) will be vetted through the appropriate District departments to ensure that the scope of the capital improvement costs described to the Board do not exceed SREF or the minimum design criteria established by the Board.	FULLY IMPLEMENTED: Our review of the R.K. Associates lease files indicates that the Department of Planning has invested significant effort following cost containment strategies to subsequently extend this lease with amended terms that significantly reduce the rental rates in the agreement in effect during our 2007 audit. Documentation provided indicated cost savings were achieved by the Department of Planning in connection with this lease. The Department of Planning identified the R.K. Associates lease as the only instance where improvements had been performed on leased property by the District's Schools Facilities.
	4.2 Provide the School Board more descriptive and	Office of Schools Facilities: The Department will monitor construction progress to assure that	FULLY IMPLEMENTED: The Leasing Section of the Department of Planning

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
	informative information on project budgets, particularly when the increases to the existing budgets are significant.	costs do not exceed the amount authorized by the Board, unless first authorized by the Board.	<p>Procedures Manual specifically assigns the responsibility for monitoring any capital construction work where a lease is involved to the Department to assure the cost does not exceed the Board approved amounts.</p> <p>No new leases involving capital construction expenditures by the District were identified by the Department of Planning.</p>
	4.3 Require coordination and review of retrofit and remodeling costs by Facilities Planning to ensure that lease terms relative to which party bears costs associated with the lease are adhered to.	Office of Schools Facilities: Subsequent to the audit, no additional lease agreements (Board as Lessee) have been entered into that require the expenditure of District capital funds. Any future negotiations requiring such an expenditure (whether construction is to be completed by the District or the landlord) will be vetted through the appropriate District departments to assure the accuracy and scope of the capital improvement costs proffered to	FULLY IMPLEMENTED: As explained in connection with Recommendation 4.2, the District has not entered into any leases with issues similar to the R. K. Associates lease, where lack of review and coordination of capital construction resulted in cost overruns. The Procedures Manual established following the 2007 audit includes

CURRENT STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS Follow-up Review of District Facility Leasing Practices Audit Committee Meeting Presented – June 26, 2007			
Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
		the Board, and those departments will be requested to adopt cost containment measures and to provide periodic expenditure reports.	safeguards to avoid a repeat of the exceptions that were reported at the time.

The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, 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 sex 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.

School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

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.

FOLLOW-UP REVIEW REPORT
District Facility Leasing Practices



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>
