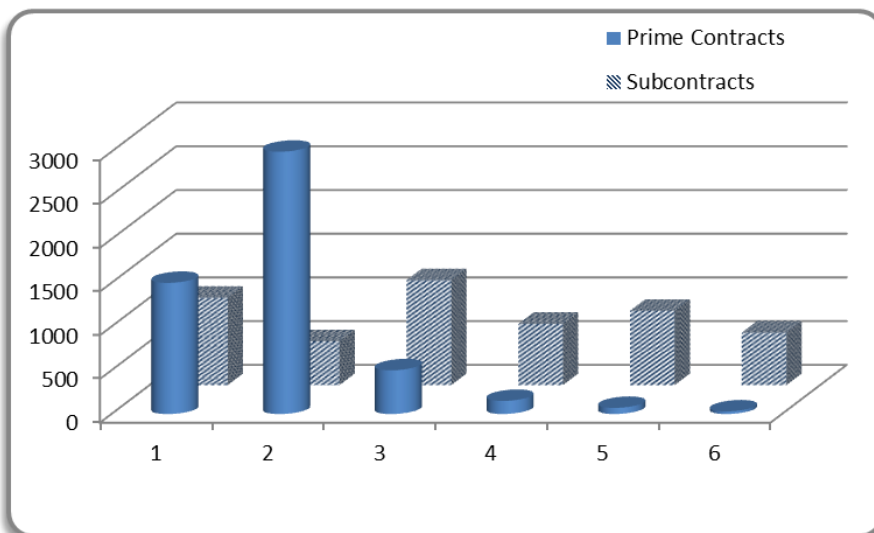


Internal Audit Report

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



AUDIT OF DISPARITY STUDY PHASE 1



Some exhibits contained inaccurate and/or inconsistent information, which, when corrected, would improve the accuracy of the final disparity study report.

September 2014

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
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Mr. Alberto M. Carvalho
Superintendent of Schools

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

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Mr. Trevor L. Williams, CPA





Miami-Dade County Public Schools

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Dr. Marta Pérez
Raquel A. Regalado

September 3, 2014

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:

At the request of the administration, we performed an audit of the results of the Disparity Study Phase 1 as contained in MGT of America, Inc.'s, (MGT) draft report dated November 18, 2013.

The audit objectives were to validate the following:

- The prime contract and subcontract award values used in the study
- The ethnicity and gender categories of the prime contractor and subcontractor groups reported in the study
- The utilization percentages of the prime contractor and subcontractors reported in the study
- The anecdotal information of an objective nature that was used in the study

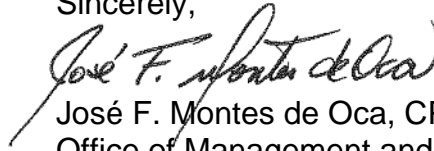
We found some exhibits that contained inaccurate information regarding contractors' race/ethnicity/gender. We also found inconsistencies in the location of some contractors' principal place of business and state licenses status. We must note that because we were initially provided with incomplete and inaccurate information, which was uploaded to the data repository for our retrieval and with untimely access to requested data, we experienced unexpected delays in validating the Study's results. We provided one recommendation, which we believe would enhance the final disparity study report.

MGT concurred with our audit findings and has provided responses to each of them. MGT has also agreed to incorporate our recommendation into its final report. Nevertheless, MGT has also noted that the audit findings do not change the outcome of

the disparity study draft or its findings of disparity. We do not express an opinion on the assertion made by MGT regarding the outcome of the disparity study.

In our opinion, based on the results of our audit tests, the evidence examined for the specific elements of the draft disparity study report subjected to our tests, and as adjusted for our audit findings, sufficiently supports the accuracy of the information presented in the disparity study draft report.

Sincerely,

A handwritten signature in black ink, reading "José F. Montes de Oca". The signature is fluid and cursive, with the first and last names being more prominent.

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

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EXECUTIVE SUMMARY

In January 2013, the School Board of Miami Dade County Public Schools (M-DCPS) contracted with MGT of America, Inc., (MGT) to conduct a Comprehensive Disparity Study Phase 1 (the Disparity Study or the Study). The Study analyzed contracting opportunities in the capital construction and construction-related professional services in order to identify, with particularity, whether a statistical disparity exists from which may be inferred the existence of past or present, public or private discrimination in the relevant market area.

This audit was requested by the M-DCPS administration to review the results of the Disparity Study as contained in MGT draft report dated November 18, 2013. Pursuant to School Board Policy 6835, our audit findings are reported to the School Board, the Audit and Budget Advisory Committee, and the Superintendent simultaneously. The information presented in the report exhibits was derived from master contract databases developed by MGT based on capital construction and design and construction-related professional services awarded or commissioned by M-DCPS between the period of July 1, 2006 and June 30, 2012.

Our audit identified some inaccurate information in 16 of the 64 exhibits presented in Sections 4, 5 and 7 of the disparity study report, such as contractors' race/ethnicity/gender classification and the location of contractors' principal place of business. Our test of supporting documentation also disclosed that two firms included in the Study's results on utilization did not have valid state licenses during the Study period. Additionally, during the course of conducting this audit, it became evident that some of the data M-DCPS provided to MGT was inadequate or incomplete and required MGT and the audit team to obtain additional complete data from M-DCPS. The aforementioned condition along with untimely access to requested data resulted in unexpected delays in validating the Study's results.

We made one recommendation, which was discussed with management and MGT. Their responses, along with explanations, are included herein.

We want to thank management and MGT, for the cooperation and courtesies extended to our staff during the audit.

BACKGROUND

MGT's Scope of Work

On January 14, 2013, M-DCPS contracted with MGT to conduct a Disparity Study of the School Board's procurement practices, through a statistical analysis of its expenditures for construction, professional services, and goods and services. The Disparity Study analyzed contracting opportunities in these business categories in order to identify, with particularity, whether a statistical disparity exists from which it may be inferred the existence of past or present, public or private discrimination in the relevant market area.

The Disparity Study was to be completed in two phases – Phase 1, comprising an analysis of expenditures for construction and construction related professional services; and Phase 2, comprising an analysis of expenditures for goods and services. It was mutually agreed between M-DCPS administration and MGT that the scope of the Study would entail expenditures occurring between July 1, 2006, and June 30, 2012, in these service areas.

The Economic Development Officer, in the Office of Economic Opportunity, who reports to the Chief of Staff was assigned to coordinate the Disparity Study.

MGT's Draft Disparity Report

MGT submitted a draft of its disparity study report dated November 18, 2013, to M-DCPS. The report contained the following 10 sections:

0.0	Executive Summary
1.0	Introduction
2.0	Legal Review
3.0	Review of Policies, Procedures, and Programs
4.0	Relevant Market Area, Utilization, and Availability Analyses ¹
5.0	Availability and Disparity Analyses ¹
6.0	Private Sector Analysis of Race/Gender/Ethnicity Effects on Self-Employment Propensity and Earnings
7.0	Anecdotal Analysis ¹
8.0	Findings ²
	Appendices

In its report, MGT provided a detailed legal review based on the Supreme Court decision in *City of Richmond v. J. A. Croson Company*, a detailed review of M-DCPS' policies and procedures related to the district's capital program, and its findings based on its analyses of available data on the district's construction and construction-related expenditures for the relevant market area.

In its report, MGT presented a series of exhibits along with explanations to convey the results of its study.

Request for This Audit

This audit was requested by the Superintendent of Schools to review the results of the Disparity Study as contained in MGT's draft report. In agreeing to perform the audit, we outlined a very specific scope of work to be covered by our audit. The scope of work

¹ In performing our auditing procedures, we reviewed all sections of the disparity report. However, we applied detailed testing and analyses to this section of the report within the context of our audit objectives.

² Audit testing of selected information presented in this section was performed indirectly through our detailed testing of information contained in other sections of the disparity report that were subjected to our audit scope.

covered by this audit is described in the following section of this report – Objectives, Scope, and Methodology.

OBJECTIVES, SCOPE AND METHODOLOGY

As stated above, the Superintendent of Schools requested that we perform an audit of the results of the Disparity Study contained in MGT's draft report dated November 18, 2013. The objective of this audit was to provide assurance regarding the accuracy of selected information contained in the draft report.

The scope of the audit is limited to validating:

- The prime and subcontract award values used in the Study at Sections 4 and 5
- The ethnicity and gender categories of the prime and subcontractor groups reported in the Study at Sections 4, 5 and 7
- The utilization percentages of the prime and subcontractors reported in the Study at Sections 4 and 5
- The anecdotal information of an objective nature only that was used in the Study at Section 7

Our audit scope does not include our opining on the qualification of MGT, the legal analysis contained in MGT's draft report at Section 2, the methodology used to conduct the study or the conclusions of the study. In addition, we do not validate anecdotal information of a subjective nature due to the increased risk of potential bias on the part of participants surveyed.³ Another consultant was engaged to assess the validity and soundness of the methodology used by MGT to conduct the Disparity Study, including the collection and analysis of qualitative information based on anecdotal and

³ We consider "anecdotal information of a subjective nature" to be information emanating from the personal perceptions, feelings or beliefs of persons surveyed by MGT during the Study. It may include responses to questions and comments such as, "What do you feel most interferes with your ability to do business with the district (barriers of doing business, such as prequalification, licensing, financing, bond requirements, etc.)?" or "If you have not been awarded a contract with the district or any of its primes, please discuss why you feel you have not."

stakeholder interviews and public hearings; and to render an opinion regarding the credibility of the study's findings.

In developing its study, MGT used a population of 88 capital construction projects to analyze whether disparity exists at the prime contractor level. In addition to the 88 capital construction projects, MGT also analyzed data for approximately 3,800 work orders issued to 87 firms for design and construction-related professional services provided during the study period between July 1, 2006, and June 30, 2012, to determine whether disparity exists among the firms providing these professional services.

In performing our audit, we designed a statistical sample using a confidence level of 95% with a 10% margin of error. Using a random integer generator applied to our population of the 88 capital construction projects, we obtained a statistical sample of 47 projects. For the 47 capital construction projects selected in our sample, we examined information and supporting documentation, when made available to us, on the prime contractor, subcontractor, and the associated design and construction-related professional services.

We performed the following procedures to satisfy our objectives:

- Reviewed the November 18, 2013, draft disparity study report prepared by MGT
- Obtained and reviewed the source data comprising the databases created by MGT to support the statistical information presented in its draft disparity study report
- Reviewed source data comprising the databases and spreadsheets prepared by M-DCPS staff on construction and construction-related project and vendor information
- Interviewed M-DCPS' staff from the Offices of Economic Opportunity and Facilities Operations, as well as MGT's personnel

- Recomputed the data presented in the MGT report sections included in the audit scope to verify their accuracy
- For construction projects and construction-related professional service contracts awarded during the period covered by the Disparity Study, we examined, on a sample basis –
 - Capital construction, and design and professional service projects
 - Contract data summary sheet
 - Construction management at-risk guarantee maximum price proposal forms
 - Traced project data, including contract award values to supporting documentation
- For contractors and firms listed in the databases created by MGT, we verified the following, on a sample basis –
 - The entity's corporate existence and principal place of business with the Florida Department of State Division of Corporations
 - The entity's local business presence in the Miami-Dade, Broward, Palm Beach tri-county area
 - The entity's licensure status with the Florida Department of Business and Professional Regulation
 - The entity's ethnicity/gender classification through information maintained by M-DCPS, Florida Department of Management Services and Florida Department of Transportation Equal Opportunity Office
 - The entity's prequalification status with M-DCPS
 - The value of work orders through M-DCPS' capital payment system
- 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

General Observations

Our review of the data source cited by MGT in its draft disparity study report to support most of its analysis results – MGT database – disclosed the following inconsistencies:

1. The principal place of business shown for five of the 47 sampled contractors listed in the MGT database of contractors who provided design and professional services did not agree with independent information we reviewed. In addition, we also found one firm from among the five aforementioned firms plus two additional firms in the sample of firms we reviewed, for which a valid state license could not be located. A firm must hold a valid license to be eligible to perform contracted work for M-DCPS.

In general, to determine whether a firm is located within the “relevant market area,” MGT considered whether the firm has a business address within the tri-county area of Miami-Dade, Broward and Palm Beach – the “relevant market area.” Our review of corporate filings with the State of Florida disclosed that 13 of the 47 firms in our sample listed their principal place of business outside the “relevant market area,” including nine locations outside Florida. Such firms were included in the Miami Metropolitan Statistical Area (MSA) or “relevant market area” in the MGT database if they had a business office address within the tri-county area, (even if not the principal place of business), as would be appropriate based on M-DCPS’ Policy 6320.02, *Small/Micro Business Enterprise Program and Minority/Women Business Enterprise Certification*. This treatment, however, was not consistent.

MGT RESPONSE: FINDING #1

MGT utilized the business address of the contractor that’s included in the data provided by M-DCPS. If there’s a question about the location of a particular

firm, MGT utilized various sources to verify the address, i.e., Miami-Dade County certification database, Internet searches, etc.

Regarding the two firms for which a valid state license could not be located, MGT deferred to M-DCPS since these firms were utilized by the district.

2. For seven subcontractors included in our sample of 47 construction projects, we found the race/ethnicity/gender designation shown in the MGT database to be inconsistent with independent information we reviewed. In addition, two different data points in the MGT database showed two vendors having race/ethnicity/gender designations. In one of these two cases, the vendor was shown as being both “Hispanic Female” and “Hispanic Male” in the 2007-08 fiscal year, while in the other case the vendor was shown as being both “Non-M/WBE” and “Hispanic Male”. Our review of the data disclosed the correct race/ethnicity/gender to be “Hispanic Male” in both cases.

In reviewing the race/ethnicity/gender classification of firms contained in the MGT database we encountered some limitations in validating the data. Both M-DCPS staff and MGT personnel we interviewed stated that the data used to determine each firm’s race/ethnicity/gender classification were derived primarily from reports provided to MGT from M-DCPS. Among these were a report of M-DCPS certified M/WBE firms (Report No. 100) dated September 9, 2011, a report of M-DCPS vendors who have also registered as M/WBE firms, and a spreadsheet containing the names of certain firms annotated to include their known race/ethnicity/gender classification based on the personal knowledge of M-DCPS staff member(s). MGT stated that they also obtained race/gender/ethnicity information from census data and other national databases. Our inquiry with MGT disclosed that MGT did determine race/ethnicity/gender classification of each firm at the time of award of the contract.

MGT RESPONSE: FINDING #2

Initially, MGT used the race/ethnicity/gender designation that was provided by M-DCPS project documents. If there were firms in the database that were missing the race/ethnicity/gender designation, MGT utilized several sources to identify race/ethnicity/gender. These sources include MDC certification database, MGT's National M/WBE database, the Department of Management Services database, etc. Also, if new information is obtained through our collection of anecdotal evidence, i.e., telephone survey, personal interviews, focus groups, public hearings/forums, custom census, the master database is updated. If a race/ethnicity/gender designation could not be identified, the designation defaults to non-M/WBE firm.

MGT will change the M/WBE designation for the identified Hispanic firm to Hispanic Male.

3. For 11 of the 47 projects included in our sample, we were unable to agree the total subcontracts amount included in the MGT database to supporting source data. In establishing the subcontract values for analysis purposes of determining the extent of utilization at the subcontractor level, MGT attempted to segregate the value of subcontracts issued under each project from the total project award value. Along with contractor fees and other costs, MGT also attempted to exclude "self-performed" work,⁴ and project allowances.⁵

Our audit found that the total subcontract value for the 11 projects in question was understated by \$12.7 million in the MGT database (documentation reviewed totaled \$97,823,900 while MGT's database showed \$85,135,900).

⁴ "Self-performed" work comprises the costs of material, direct labor and overhead supplied by the prime contractor to complete any portion of the work in the project's construction schedule.

⁵ Allowances represent the dollar amounts set aside for anticipated work to be completed for sub-disciplines and included in the project's guaranteed maximum price (GMP) at the time of the GMP's acceptance. Although the identified work will be completed, a subcontract for the work is typically not executed at the time the GMP is accepted, but is issued at a later date.

In fact, the entire sum of the subcontracts for one project in our sample of 47 projects was omitted from MGT's database of subcontractors. That project's related subcontracts totaled \$2,228,900.

Moreover, we found inconsistent treatment of "self-performed" work in MGT's database. In some cases, the value of the "self-performed" work was excluded from the project's total subcontract value included in the MGT database, but was included in other cases. "Self-performed" work included in the awarded guaranteed maximum price (GMP) for the 11 projects in question was \$5.3 million and \$17.5 million for the 47 projects in our sample.

MGT RESPONSE: FINDING #3

The methodology used, which is an industry standard, was based on including subcontract dollars that were associated with a firm. Therefore, the GMP (such as allowances not associated to a contractor) were [sic] not included in the study.

Those firms not identified for mark for exclusion for self-performed work should be excluded from the analyses. Based on our methodology, approximately \$11 million in subcontract dollars that was included in the analyses of the draft report should be excluded. These revised analyses will be included in the final/updated draft report. Note this update will be reflected in all applicable analyses/exhibits. Please note that the revised analyses shows [sic] no change in the determination of the overall/total disparate impact of utilization or disparity.

4. As noted above, MGT excluded the value of allowances included in a project's GMP to establish the subcontract values. These values represent the estimated costs of construction work that is required to deliver a complete project and therefore, were awarded to, and performed by subcontractors or in some cases, by the prime contractor. Therefore, excluding allowances from

the project's total subcontract value used in its analyses results in some construction dollars not being included in the distribution of construction dollars awarded at the subcontractor level.

We realize that since subcontractors were not specifically identified for allowance amounts included in the GMP data M-DCPS provided to MGT, the consultant would have been unable to allocate the allowance amounts to specific subcontractors solely on the basis of the GMP data they received from M-DCPS. However, through additional inquiry and follow-up with M-DCPS by MGT, information disclosing the subcontractors to whom the amounts included in the allowance were ultimately awarded could have been obtained. The total allowance for the 47 projects sampled was \$17.6 million.

MGT RESPONSE: FINDING #4

MGT and M-DCPS decided prior to the final set of calculations that GMP would not be considered in the calculation of values for the project. The methodology used, which is an industry standard, was based on including subcontract dollars that were associated with a firm. Therefore, the GMP (such as allowances not associated to a contractor) were [sic] not included in the study.

These noted inconsistencies have the effect of changing the calculated values presented in related exhibits contained in the draft disparity study report.

Observations Specific to Exhibits

Sections 4, 5 and 7 of the disparity study (the sections subjected to our detailed testing as we determined to be relevant to our audit objectives) contains a total of 64 exhibits, which detail the Study results. Through our audit testing, we found exceptions with the information contained in 16 of the 64 exhibits, or 25%. The following section of this report presents our findings that are specific to the exhibits containing exceptions.

Our review of the information presented in Section 4.0, “Relevant Market Area, Utilization, and Availability Analyses” in MGT’s draft disparity study report disclosed the following:

1. Our re-computation of the underlying work order values for the projects comprising EXHIBIT 4-30, “THRESHOLD ANALYSIS OF DESIGN AND CONSTRUCTION-RELATED PROFESSIONAL SERVICES AT THE PRIME LEVEL DISTRIBUTION OF DOLLARS, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012,” disclosed differences in the “DOLLARS AWARDED” amounts shown in this exhibit as follows:

Threshold Levels	Dollars Awarded As Shown in EXHIBIT 4-30	Dollars Awarded As Per Audit
Less than \$100,000	\$46,386,041	\$45,563,843
\$100,000 to \$499,999	\$34,351,119	\$25,635,378
\$500,000 to \$1 Million	\$10,439,618	\$3,361,517

MGT RESPONSE: EXHIBIT FINDING 1

This exhibit was not replaced from the prior draft and therefore reflected the previous draft calculations. It is noted to be replaced with the correct exhibit for the updated/final draft.

2. Our examination of the number of firms and their ethnicity/gender classification for the projects comprising EXHIBIT 4-31, "THRESHOLD ANALYSIS OF CONSTRUCTION AT THE PRIME LEVEL DISTRIBUTION OF DOLLARS AND FIRMS BY BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012," disclosed differences in the numbers of firms and the ethnicity/gender classification for various strata shown in this exhibit as follows:

Threshold Levels	Number of Non-M/WBE Firms	
	Shown In EXHIBIT 4-31	Per Audit
Less than \$100,000	2	0
\$500,000 to \$1 million	6	2
Greater than \$1 million to \$3 million	5	6
Greater than \$5 million to \$10 million	6	5
Greater than \$10 million	0	6

Threshold Levels	Total Number of Firms	
	Shown In EXHIBIT 4-31	Per Audit
Less than \$100,000	2	0
\$500,000 to \$1 million	10	6
Greater than \$1 million to \$3 million	8	9
Greater than \$5 million to \$10 million	10	9
Greater than \$10 million	3	9

MGT RESPONSE: EXHIBIT FINDING 2

These values have been updated and will be included in the final/updated draft.

3. Our re-computation of the underlying subcontract values for the projects comprising EXHIBIT 4-37 and 4-38, "SUMMARY OF CAPITAL CONSTRUCTION SERVICES AT THE SUB LEVEL DISTRIBUTION OF PRIME DOLLARS BY LOCATION OF FIRM, WITHIN THE MIAMI MSA FISCAL YEAR, JULY 1, 2006 THROUGH JUNE 30, 2012," disclosed

differences in the “DOLLARS AWARDED” and “PERCENT OF AWARD DOLLARS” amounts shown in these exhibits for Broward and Miami-Dade Counties categories as follows:

Location of Firms by Business Category	Dollars Awarded	
	Shown in EXHIBITS 4-37 & 4-38	Per Audit
Broward County	\$149,596,232	\$152,891,129
Miami-Dade County	\$565,188,679	\$561,893,782

Location of Firms by Business Category	Percent of Award Dollars	
	Shown in EXHIBITS 4-37 & 4-38	Per Audit
Broward County	19.97%	20.41%
Miami-Dade County	75.44%	74.99%

MGT RESPONSE: EXHIBIT FINDING 3

Feedback from the findings will be incorporated, thus the analyses will be updated in the final/updated draft. Note MGT values will be updated to reflect the agreed upon findings and therefore incorporated into applicable analyses and exhibits.

4. Our examination of the number of firms and their race/ethnicity/gender classification comprising EXHIBIT 4-43, "UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY BUSINESS OWNERSHIP CLASSIFICATION, MIAMI MSA, JULY 1, 2006 THROUGH JUNE 30, 2012," disclosed differences in the number of firms shown in this exhibit for "African American Male," "Hispanic American Female/Male," and "Non-M/WBE" as follows:

Business Ownership Classification	Number of Firms (Unique) As Shown in EXHIBIT 4-43	Number of Firms (Unique) Per Audit
Hispanic American Female	28	26
Hispanic American Male	58	63
Hispanic American Firms	86	89
Total Minority Firms	126	129
Total M/WBE Firms	169	172
Non-M/WBE Firms	360	361
Total Firms ⁶	529	533

MGT RESPONSE: EXHIBIT FINDING 4

The number of firms should be based on the Subcontractor_Name_Revised, RaceEthnicity_Gender, Subcontract Award Amt (\$) (is >0 and not null), Miami MSA (is inside), and Mark_for_Exclusion (is null). Using this subset, group by the RaceEthnicity_Gender and count of Subcontractor_Name_Revised. Using this methodology, the values are presented in the draft report are correct. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work. This revision will be included in the final/updated report, along with the corrected title to exhibit.

⁶ The number in the row labeled "Total Firms" does not represent the sum of the number values in the rows preceding it. Rather, it is a representation of the total number of firms as presented in the Study report and the auditor's recalculation of that total.

5. Our examination of the underlying data comprising EXHIBIT 4-45, “UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY 3-DIGIT NIGP⁷ CODES AND BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012,” disclosed that the information presented in this exhibit is incomplete, as the 3-digit NIGP codes and their corresponding percentages for categories between 910 and 990 are missing from the exhibit. Therefore, the information presented in the bottom half of the exhibit is incongruent with the top half of the exhibit.

MGT RESPONSE: EXHIBIT FINDING 5

Subsequent review of the underlying data comprising Exhibit 4-45 revealed that data related to the 3-digit NIGP codes and their corresponding percentages for categories between 910 and 990 were, although calculated, inadvertently omitted. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work. This exhibit will be updated in the final/updated draft report.

6. Our examination of the underlying data comprising EXHIBIT 4-46, “UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY 5-DIGIT NIGP CODES, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012,” disclosed that the “DOLLARS AWARDED” amount and “PERCENT OF DOLLARS” value shown in this exhibit for the 5-digit NIGP code 42048 are understated by \$204,087 and 0.03%, respectively.

⁷ National Institute of Governmental Purchasing (NIGP)

MGT RESPONSE: EXHIBIT FINDING 6

Subsequent review of this data revealed an incorrect value for the 5-digit NIGP code 42048. This exhibit will be updated in the final/updated draft report. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work.

7. Our test of the underlying data comprising EXHIBIT 4-47, “UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY 5-DIGIT NIGP CODES AND BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012,” disclosed that both the “NON-M/WBE FIRMS” and “TOTAL” amounts shown in this exhibit for the 5-digit NIGP code 42048 are understated by \$204,087.

MGT RESPONSE: EXHIBIT FINDING 7

Subsequent review of this data revealed an incorrect value for the 5-digit NIGP code 42048. This exhibit will be updated in the final/updated draft report. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work.

8. Our examination of the number of firms and their ethnicity/gender classification for the projects comprising EXHIBIT 4-49, "THRESHOLD ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS AND FIRMS BY BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012," disclosed differences in the number of firms in the various race/ethnicity/gender classification and totals for various strata shown in this exhibit as follows:

Threshold Levels	African American		Hispanic American		Total Minority		Nonminority Female		Total M/WBE		Non-M/WBE		Total	
	Reported By MGT	Verified By Audit	Reported By MGT	Verified By Audit	Reported By MGT	Verified By Audit	Reported By MGT	Verified By Audit	Reported By MGT	Verified By Audit	Reported By MGT	Verified By Audit	Reported By MGT	Verified By Audit
Less than to equal to \$100,000			63	51	89	77			120	108	120	260	240	368
Greater than \$100,000 to \$499,999	23	24	50	52	74	77	19	18	93	95	93	130	186	225
Greater than \$500,000 to \$1 million			26	27	37	38			47	48	47	40	94	88
Greater than \$1 million to \$3 million			20	21	31	32			40	41	40	36	80	77
Greater than \$3 million to \$5 million			7	9	11	13			13	15	13	6	26	21
Greater than \$5 million to \$10 million											10	4	20	14
Greater than \$10 million											1	2	2	3
Total ⁸			86	89	126	129			169	172	360	361	529	533

⁸ The number in the row labeled "Total" does not represent the sum of the number values in the rows preceding it. Rather, it is a representation of the total number of firms as presented in the Study report and the auditor's recalculation of that total. In addition, the columns presented in the table above were not displayed contiguously in related MGT report exhibit. We have excerpted the columns presented above to show only those categories containing errors.

MGT RESPONSE: EXHIBIT FINDING 8

Subsequent review of number of firms and their ethnicity/gender classification for the projects comprising EXHIBIT 4-49 revealed differences in the values by threshold presented in the draft report and should be updated. However, the Total Unique Firms (bottom row “Total”) values presented in the draft report are correct. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million in self-performed work.

This exhibit will be updated in the final/updated draft report.

9. Our examination of the underlying data comprising EXHIBIT 4-51, “UTILIZATION ANALYSIS OF CONSTRUCTION-RELATED PROFESSIONAL SERVICES AT THE SUB LEVEL DISTRIBUTION OF FIRMS BY BUSINESS OWNERSHIP, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012,” disclosed that the number of unique firms and the associated percentage shown for “NON-M/WBE” category shown in this exhibit is overstated by one firm, making the correct number 34. The total number of unique firms shown in the exhibit is likewise overstated, accordingly.

MGT RESPONSE: EXHIBIT FINDING 10 [sic] [Should be 9]

Subsequent review of this data revealed that there were 34 nonminority male/non-M/WBE firms. However, the non-M/WBE category includes the 34 nonminority male/non-M/WBE firms and one Other Male. It will be footnoted in the updated/final report.

10. Our examination of the underlying data comprising EXHIBIT 5-1, “AVAILABILITY ESTIMATES ANALYSIS OF CAPITAL CONSTRUCTION SERVICE AT THE PRIME LEVEL BY BUSINESS OWNERSHIP CLASSIFICATION AND FISCAL YEAR, MIAMI-BROWARD-PALM BEACH MARKET AREA” disclosed that for the year 2007-08, the number of

Hispanic American Male contractors was inaccurately reported at 15 contractors, whereas the correct number is 14 Hispanic American Male contractors. As a result, the total number of firms and the associated percentage shown for the “Hispanic American Male” category shown in this exhibit is overstated, accordingly.

MGT RESPONSE: EXHIBIT FINDING 11 [sic] [Should be 10]

Subsequent review of the underlying data comprising Exhibit 5-1 showed a discrepancy in the number of contractors reported. This exhibit will be updated in the final/updated draft.

11. EXHIBITS 5-5 and 5-6, “DISPARITY ANALYSIS OF CAPITAL CONSTRUCTION SERVICE AT THE SUB LEVEL BY BUSINESS OWNERSHIP CLASSIFICATION AND FISCAL YEAR, MIAMI-BROWARD-PALM BEACH MARKET AREA” and “DISPARITY ANALYSIS OF DESIGN AND CONSTRUCTION-RELATED PROFESSIONAL SERVICES AT THE PRIME LEVEL BY BUSINESS OWNERSHIP AND FISCAL YEAR, MIAMI-BROWARD-PALM BEACH MARKET AREA,” respectively, present information on the rate of utilization among the various M/WBE and Non-M/WBE classifications by fiscal year. Our review of this exhibits and examination of the underlying data comprising it disclosed that the “AVAILABLE FIRMS ESTIMATE” numbers and percentages used for each year of the study period remained the same. It is unlikely that the availability of firms would be static throughout the entire six years in the study period. Variation is more likely.

Aside from the variation expected in the number of subcontractors doing business with M-DCPS during the Study period, the number of subcontractors reported in specific business ownership categories within Exhibit 5-5 will vary from the number identified through our audit, based on the differences already noted in this report. It is note mentioning that based on our analysis of these differences, while the “PERCENT OF DOLLARS,”

“AVAILABLE FIRMS ESTIMATE” percent and value, and “DISPARITY INDEX” changed, the “DISPARATE IMPACT OF UTILIZATION” remains unchanged for each business ownership classification, with the exception of the Hispanic American Male group for Fiscal Year 2006-2007. This group changed from being “substantially underutilized” to “underutilized.”

MGT RESPONSE: EXHIBIT FINDING 12 [sic] [Should be 11]

This is an acceptable practice according to industry standards, since data was not available by year or for each year of the study period. It should be noted that based on the findings, while changes may occur to the disparate impact of utilization during certain fiscal years, the overall or total disparity impact of utilization for the racial/ethnic groups has not changed.

12. Our examination of the underlying data comprising EXHIBIT 7-4, “MIAMI-DADE COUNTY PUBLIC SCHOOLS SURVEY OF VENDORS DEMOGRAPHICS LARGEST PRIME CONTRACT AWARDED BY RACE/ETHNICITY/GENDER CLASSIFICATION” disclosed that the percentage (2.8%) presented for “Nonminority Female” in the \$5,000,001 - \$10 million category is overstated. The correct percentage should be 2.5%.

MGT RESPONSE: EXHIBIT FINDING 13 [sic] [Should be 12]

Subsequent review of this data revealed an incorrect value for the "Nonminority Female" in the \$5,000,001 - \$10 million category. This exhibit will be updated in the final/updated draft report.

13. Our examination of the underlying data comprising EXHIBIT 7-5, “MIAMI-DADE COUNTY PUBLIC SCHOOLS SURVEY OF BUSINESS OWNERS DEMOGRAPHICS LARGEST CONTRACT AWARDED – SUBCONTRACTOR BY RACE/ETHNICITY/GENDER CLASSIFICATION” disclosed that the information presented in nine out of the 11 categories for contracts over \$1 million contained the following errors:

Race/Ethnicity/Gender	Percent Awarded As Shown in EXHIBIT 7-5	Percent Awarded As Per Audit
African American Females	0.0%	0.8%
African American Males	0.3%	0.8%
Asian American Females	0.0%	0.3%
Asian American Males	0.0%	0.5%
Hispanic American Females	0.3%	3.0%
Hispanic American Males	0.0%	0.5%
Nonminority Female	0.3%	0.8%
Nonminority Males	2.0%	4.0%
Total ⁹	2.8%	10.8%

MGT RESPONSE: EXHIBIT FINDING 14 [sic] [Should be 13]

Subsequent review of this data revealed incorrect values for the categories for contracts over \$1 million. This exhibit will be updated in the final/updated draft report.

14. Our examination of the underlying data comprising EXHIBIT 7-6, "MIAMI-DADE COUNTY PUBLIC SCHOOLS SURVEY OF VENDORS DEMOGRAPHICS CERTIFICATION BY RACE/ETHNICITY/GENDER CLASSIFICATION" disclosed that the total percentage (8.6%) presented for the "WOMAN BUSINESS ENTERPRISE" category is understated. The correct percentage should be 16.6%.

MGT RESPONSE: EXHIBIT FINDING 14

Subsequent review of this data revealed an incorrect value for the "WOMAN BUSINESS ENTERPRISE" category. This exhibit will be updated in the final/updated draft report.

⁹ The number in the row labeled "Total" does not represent the sum of the number values in the rows preceding it. Rather, it is a representation of the total number of firms as presented in the Study report and the auditor's recalculation of that total.

RECOMMENDATION

- 1. M-DCPS administration should provide MGT with a copy of the final audit report for its review and ensure that revisions to draft disparity report are made, as needed.**

The Office of Management and Compliance Audits provided MGT a draft of our report for their review and consideration, as well as discussed the report findings with them. MGT has provided to us a response to our audit findings, which indicates their plan to implement our audit recommendation.

The full text of MGT's response is contained in the following section of this report.

**MANAGEMENT'S
AND
MGT OF AMERICA, INC.,
RESPONSES**

MEMORANDUM

August 29, 2014

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

FROM: Alberto M. Carvalho, Superintendent of Schools 

SUBJECT: FINAL AUDIT REPORT

Please be advised that a copy of the final audit report will be provided to MGT for its review and to ensure that revisions to disparity study report are included as appropriate.

AMC:mja
M179

Enclosure

cc: Mr. Walter J. Harvey
Mr. Jose L. Dotres
Mr. Jaime G. Torrens
Mr. Brian Williams

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3800 Esplanade Way
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August 20, 2014

José F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits
School Board Administration Building
1450 N.E. 2nd Ave., Suite 415
Miami, FL 33132

Dear Mr. Montes de Oca:

MGT of America, Inc. (MGT) appreciates the opportunity to respond to your revised **confidential draft** audit report on the results contained in our disparity study draft report for Miami-Dade County Public Schools (M-DCPS).

We view the audit conducted by your office and the other external reviews of the draft report as an important step in the draft report process. In fact, we strongly encourage this level of scrutiny in order to address any inconsistencies, factual errors and/or misinterpretation of the data and results. This process gives MGT and M-DCPS the opportunity to thoroughly review the draft report and address any outstanding issues before it becomes finalized. This is a process we not only welcome, but embrace.

Please note that none of the findings in this audit changes the outcome of the disparity study draft report or the findings of overall/total disparity. All issues identified in the findings can be resolved within a three-week period of time.

For further information or clarification, please contact me at RSmith@mgtamer.com or via telephone at (850) 386-3191.

Sincerely,

A handwritten signature in dark ink, appearing to read "Reginald A. Smith".

Reginald A. Smith.
Partner

Attachment: MGT Response to M-DCPS Confidential Draft Audit Report

MGT RESPONSE TO M-DCPS CONFIDENTIAL DRAFT AUDIT REPORT

Audit findings are restated and MGT's response follows each finding.

GENERAL OBSERVATIONS

FINDING #1

"The principal place of business shown for five of the 47 sampled contractors listed in the MGT's database of contractors who provided design and professional services did not agree with independent information we reviewed. In addition, we also found one firm from among the five aforementioned firms plus two additional firms in the sample of firms we reviewed, for which a valid state license could not be located. A firm must hold a valid license to be eligible to perform contracted work for M-DCPS.

In general, to determine whether a firm is located within the "relevant market area," MGT considered whether the firm has a business address within the tri-county area of Miami-Dade, Broward and Palm Beach - the "relevant market area." Our review of corporate filings with the State of Florida disclosed that nine of the 47 firms in our sample listed their principal place of business outside the "relevant market area," including outside Florida. These firms were included in the Miami Metropolitan Statistical Area or "relevant market area" in the MGT database if they had a business office address within the tri-county area, (even if not the principal place of business), as would be appropriate based on M-DCPS' Policy 6320.02, *Small/Micro Business Enterprise Program and Minority/Women Business Enterprise Certification*. This treatment, however, was not consistent."

MGT RESPONSE: FINDING #1

MGT utilized the business address of the contractor that's included in the



data provided by M-DCPS. If there's a question about the location of a particular firm, MGT utilized various sources to verify the address, i.e., Miami-Dade County certification database, Internet searches, etc.

Regarding the two firms for which a valid state license could not be located, MGT deferred to M-DCPS since these firms were utilized by the district.

FINDING #2

"For seven subcontractors included in our sample of 47 construction projects, we found the race/ethnicity/gender designation shown in the MGT database to be inconsistent with independent information we reviewed. In addition, two different data points in the MGT database showed two vendors having race/ethnicity/gender designations. In one of these two cases, the vendor was shown as being both "Hispanic Female" and "Hispanic Male" in the 2007-08 fiscal year, while in the other case the vendor was shown as being both "Non-M/WBE" and "Hispanic Male". Our review of the data disclosed the correct race/ethnicity/gender to be "Hispanic Male" in both cases.

In reviewing the race/ethnicity/gender classification of firms contained in the MGT database we encountered some limitations in validating the data. Both M-DCPS staff and MGT personnel we interviewed stated that the data used to determine each firm's race/ethnicity/gender classification were derived primarily from reports provided to MGT from M-DCPS. Among these were a report of M-DCPS certified M/WBE firms (Report No. 100) dated September 9, 2011, a report of M-DCPS vendors who have also registered as M/WBE firms, and a spreadsheet containing the names of certain firms annotated to include their known race/ethnicity/gender classification based on the personal knowledge of M-DCPS staff member(s). MGT stated that they also obtained race/ethnicity/gender information from census data and other national databases. Our inquiry with MGT disclosed that MGT did

determine race/ethnicity/gender classification of each firm at the time of award of the contract.”

MGT RESPONSE: FINDING #2

Initially, MGT used the race/ethnicity/gender designation that was provided by M-DCPS project documents. If there were firms in the database that were missing the race/ethnicity/gender designation, MGT utilized several sources to identify race/ethnicity/gender. These sources include MDC certification database, MGT’s National M/WBE database, the Department of Management Services database, etc. Also, if new information is obtained through our collection of anecdotal evidence, i.e., telephone survey, personal interviews, focus groups, public hearings/forums, custom census, the master database is updated. If a race/ethnicity/gender designation could not be identified, the designation defaults to non-M/WBE firm.

MGT will change the M/WBE designation for the identified Hispanic firm to Hispanic Male.

FINDING #3

“For 11 of the 47 projects included in our sample, we were unable to agree the total subcontracts amount included in the MGT database to supporting source data. In establishing the subcontract values for analysis purposes of determining the extent of utilization at the sub-contractor level, MGT attempted to segregate the value of subcontracts issued under each project from the total project award value. Along with contractor fees and other costs, MGT also attempted to exclude "self-performed" work¹ and project

¹ “Self-performed” work comprises the costs of material, direct labor and overhead supplied by the prime contractor to complete any portion of the work in the project’s construction schedule.

allowances.²

Our audit found that the total subcontract value for the 11 projects in question was understated by \$12.7 million in the MGT database (documentation reviewed totaled \$97,823,900 while MGT's database showed \$85,135,900). In fact, the entire project award sum for one project in our sample of 47 projects was omitted from MGT's database of subcontractors. That project's related subcontracts totaled \$2,228,900.

Moreover, we found inconsistent treatment of self-performed work in MGT's database. In some cases, the value of the self-performed work was excluded from the project's total subcontract value included in the MGT database, but was included in other cases. "Self-performed" work included in the awarded guaranteed maximum price (GMP) for the 11 projects in question was \$5.3 million and \$17.5 million for the 47 projects in our sample."

MGT RESPONSE: FINDING #3

The methodology used, which is an industry standard, was based on including subcontract dollars that were associated with a firm. Therefore, the GMP (such as allowances not associated to a contractor) were not included in the study.

Those firms not identified for mark for exclusion for self-performed work should be excluded from the analyses. Based on our methodology, approximately \$11 million in subcontract dollars that was included in the analyses of the draft report should be excluded. These revised analyses will

² Allowances represent the dollar amounts set aside for anticipated work to be completed for sub-disciplines and included in the project's guaranteed maximum price (GMP) at the time of the GMP's acceptance. Although the identified work will be completed, a subcontract for the work is typically not executed at the time the GMP is accepted, but is issued at a later date.

be included in the final/updated draft report. Note this update will be reflected in all applicable analyses/exhibits. Please note that the revised analyses shows no change in the determination of the overall/total disparate impact of utilization or disparity.

FINDING #4

“As noted above, MGT excluded the value of allowances included in a project's GMP to establish the subcontract values. These values represent the estimated costs of construction work that is required to deliver a complete project and therefore, were awarded to, and performed by subcontractors or in some cases, the prime contractor. Therefore, excluding allowances from the project's total subcontract value used in its analyses results in some construction dollars not being included in the distribution of construction dollars at the sub-contractor level.

We realize that since subcontractors were not specifically identified for allowance amounts included in the GMP data M-DCPS provided to MGT, the consultant would have been unable to allocate the allowance amounts to specific subcontractors solely on the basis of the GMP data they received from M-DCPS. However, through additional inquiry and follow-up with M-DCPS by MGT, information disclosing the subcontractors to whom the amounts included in the allowance were ultimately awarded could have been obtained. The total allowance for the 47 projects sampled was \$17.6 million.

MGT RESPONSE: FINDING #4

MGT and M-DCPS decided prior to the final set of calculations that GMP would not be considered in the calculation of values for the project. The methodology used, which is an industry standard, was based on including subcontract dollars that were associated with a firm. Therefore, the GMP

(such as allowances not associated to a contractor) were not included in the study.

OBSERVATIONS SPECIFIC TO EXHIBITS

EXHIBIT FINDINGS

1. Our re-computation of the underlying work order values for the projects comprising EXHIBIT 4-30, "THRESHOLD ANALYSIS OF DESIGN AND CONSTRUCTION-RELATED PROFESSIONAL SERVICES AT THE PRIME LEVEL DISTRIBUTION OF DOLLARS, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed differences in the "DOLLARS AWARDED" amounts shown in this exhibit as follows:

Business Category	Dollars Awarded As Shown in EXHIBIT 4-30	Dollars Awarded As Per Audit
Less than \$100,000	\$46,386,041	\$45,563,843
\$100,000 to \$499,999	\$34,351,119	\$25,635,378
\$500,000 to \$1 Million	\$10,439,618	\$3,361,517

MGT RESPONSE: EXHIBIT FINDING 1

This exhibit was not replaced from the prior draft and therefore reflected the previous draft calculations. It is noted to be replaced with the correct exhibit for the updated/final draft.

EXHIBIT FINDINGS

2. Our examination of the number of firms and their ethnicity/gender classification for the projects comprising EXHIBIT 4-31, "THRESHOLD ANALYSIS OF CONSTRUCTION AT THE PRIME LEVEL DISTRIBUTION OF DOLLARS AND FIRMS BY BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD- PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed differences in the number of firms and the ethnicity/gender classification for various

strata shown in this exhibit as follows:

Threshold Levels	Number of Non-M/WBE Firms	
	Shown In EXHIBIT 4-31	Per Audit
Less than \$100,000	2	0
\$500,000 to \$1 million	6	2
Greater than \$1 million to \$3 million	5	6
Greater than \$5 million to \$10 million	6	5
Greater than \$10 million	0	6

MGT RESPONSE: EXHIBIT FINDING 2

These values have been updated and will be included in the final/updated draft.

Threshold Levels	Total Number of Firms	
	Shown In EXHIBIT 4-31	Per Audit
Less than \$100,000	2	0
\$500,000 to \$1 million	10	6
Greater than \$1 million to \$3 million	8	9
Greater than \$5 million to \$10 million	10	9
Greater than \$10 million	3	9

MGT RESPONSE: EXHIBIT FINDING 2

These values have been updated and will be included in the final/updated draft.

EXHIBIT FINDINGS

3. Our re-computation of the underlying subcontract values for the projects comprising EXHIBIT 4-37 and 4-38, "SUMMARY OF CAPITAL CONSTRUCTION SERVICES AT THE SUB LEVEL DISTRIBUTION OF PRIME DOLLARS BY LOCATION OF FIRM, WITHIN THE MIAMI MSA FISCAL YEAR, JULY 1, 2006 THROUGH JUNE 30, 2012," disclosed differences in the "DOLLARS AWARDED" and

"PERCENT OF AWARD DOLLARS" amounts shown in these exhibits for Broward and Miami-Dade Counties categories as follows:

Location of Firms by Business Category	Dollars Awarded	
	Shown in EXHIBITS 4-37 & 4-38	Per Audit
Broward County	\$149,596,232	\$152,891,129
Miami-Dade County	\$565,188,679	\$561,893,782

Location of Firms by Business Category	Percent of Award Dollars	
	Shown in EXHIBITS 4-37 & 4-38	Per Audit
Broward County	19.97%	20.41%
Miami-Dade County	75.44%	74.99%

MGT RESPONSE: EXHIBIT FINDING 3

Feedback from the findings will be incorporated, thus the analyses will be updated in the final/updated draft. Note MGT values will be updated to reflect the agreed upon findings and therefore incorporated into applicable analyses and exhibits.

EXHIBIT FINDINGS

4. Our examination of the number of firms and their race/ethnicity/gender classification comprising EXHIBIT 4-43, "UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY BUSINESS OWNERSHIP CLASSIFICATION, MIAMI MSA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed differences in the number of firms shown in this exhibit for "African American Male," "Hispanic American Female/Male," and "Non-M/WBE" as follows:

Business Ownership Classification	Number of Firms (Unique) As Shown in EXHIBIT 4-43	Number of Firms (Unique) Per Audit
Hispanic American Female	28	26
Hispanic American Male	58	63
Total Minority Firms	126	129
Total M/WBE Firms	169	172
Non-M/WBE Firms	360	361
Total Firms ³	529	533

MGT RESPONSE: EXHIBIT FINDING 4

The number of firms should be based on the Subcontractor_Name_Revised, RaceEthnicity_Gender, Subcontract Award Amt (\$) (is >0 and not null), Miami MSA (is inside), and Mark_for_Exclusion (is null). Using this subset, groupby the RaceEthnicity_Gender and count of Subcontractor_Name_Revised. Using this methodology, the values are presented in the draft report are correct. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work. This revision will be included in the final/updated report, along with the corrected title to exhibit.

EXHIBIT FINDINGS

5. Our examination of the underlying data comprising EXHIBIT 4-45, "UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY 3-DIGIT NIGP CODES AND BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed that the information presented in this exhibit is incomplete, as the 3-digit NIGP codes and their corresponding

³ The number in the row labeled "Total Firms" does not represent the sum of the number values in the rows preceding it. Rather, it is a representation of the total number of firms as presented in the Study report and the auditor's recalculation of that total.

percentages for categories between 910 and 990 are missing from the exhibit. Therefore, the information presented in the bottom half of the exhibit is incongruent with the top half of the exhibit.

MGT RESPONSE: EXHIBIT FINDING 5

Subsequent review of the underlying data comprising Exhibit 4-45 revealed that data related to the 3-digit NIGP codes and their corresponding percentages for categories between 910 and 990 were, although calculated, inadvertently omitted. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work. This exhibit will be updated in the final/updated draft report.

EXHIBIT FINDINGS

6. Our examination of the underlying data comprising EXHIBIT 4-46, "UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION.AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY 5-DIGIT NIGP CODES, MIAMI-BROWARD- PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed that the "DOLLARS AWARDED" amount and "PERCENT OF DOLLARS" value shown in this exhibit for the 5-digit NIGP code 42048 are understated by \$204,087 and 0.03%, respectively.

MGT RESPONSE: EXHIBIT FINDING 6

Subsequent review of this data revealed an incorrect value for the 5-digit NIGP code 42048. This exhibit will be updated in the final/updated draft report. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work.

EXHIBIT FINDINGS

7. Our test of the underlying data comprising EXHIBIT 4-47, "UTILIZATION ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS BY 5-DIGIT NIGP CODES AND BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006, THROUGH JUNE 30, 2012" disclosed that both the "NON-M/WBE FIRMS" and "TOTAL" amounts shown in this exhibit for the 5-digit NIGP code 42048 are understated by \$204,087.

MGT RESPONSE: EXHIBIT FINDING 7

Subsequent review of this data revealed an incorrect value for the 5-digit NIGP code 42048. This exhibit will be updated in the final/updated draft report. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million (pending confirmation) in self-performed work.

EXHIBIT FINDINGS

8. Our examination of the number of firms and their ethnicity/gender classification for the projects comprising EXHIBIT 4-49, "THRESHOLD ANALYSIS OF CAPITAL CONSTRUCTION AT THE SUB LEVEL DISTRIBUTION OF DOLLARS AND FIRMS BY BUSINESS OWNERSHIP CLASSIFICATION, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed differences in the number of firms in the various race/ethnicity/gender classification and totals for various strata shown in this exhibit as follows:

Threshold Levels	African American		Hispanic American		Total Minority		Nonminority Female		Total IM/WBE		Non-M/WBE		Total	
	Reported by MGT	Verified by Audit	Reported by MGT	Verified by Audit	Reported by MGT	Verified by Audit	Reported by MGT	Verified by Audit	Reported by MGT	Verified by Audit	Reported by MGT	Verified by Audit	Reported by MGT	Verified by Audit
Less than or equal to \$100,000			63	51	89	77			120	108	120	260	240	368
Greater than \$100,000 to \$499,999	23	24	50	52	74	77	19	18	93	95	93	130	186	225
Greater than \$500,000 to \$1 million			26	27	37	38			47	48	47	40	94	88
Greater than \$1 million to \$3 million			20	21	31	32			40	41	40	36	80	77
Greater than \$3 million to \$5 million			7	9	11	13			13	15	13	6	26	21
Greater than \$5 million to \$10 million											10	4	20	14
Greater than \$10 million											1	2	2	3
Total ⁴			86	89	126	129			169	172	360	361	529	533

⁴ The number in the row labeled "Total" does not represent the sum of the number values in the rows preceding it. Rather, it is a representation of the total number of firms as presented in the Study report and the auditor's recalculation of that total.

MGT RESPONSE: EXHIBIT FINDING 8

Subsequent review of number of firms and their ethnicity/gender classification for the projects comprising EXHIBIT 4-49 revealed differences in the values by threshold presented in the draft report and should be updated. However, the Total Unique Firms (bottom row "Total") values presented in the draft report are correct. Note MGT values will be updated to reflect the Hispanic American Female/Male firm to Hispanic American Male finding and exclusion of the \$11 million in self-performed work.

This exhibit will be updated in the final/updated draft report.



EXHIBIT FINDINGS

9. Our examination of the underlying data comprising EXHIBIT 4-51, "UTILIZATION ANALYSIS OF CONSTRUCTION-RELATED PROFESSIONAL SERVICES AT THE SUB LEVEL DISTRIBUTION OF FIRMS BY BUSINESS OWNERSHIP, MIAMI-BROWARD-PALM BEACH MARKET AREA, JULY 1, 2006 THROUGH JUNE 30, 2012" disclosed that the number of unique firms and the associated percentage shown for "NON-M/WBE" category shown in this exhibit is understated by one firm, making the correct number 34. The total number of unique firms shown in the exhibit is likewise understated, accordingly.

MGT RESPONSE: EXHIBIT FINDING 10

Subsequent review of this data revealed that there were 34 nonminority male/non-M/WBE firms. However, the non-M/WBE category includes the 34 nonminority male/non-M/WBE firms and one Other Male. It will be footnoted in the updated/final report.

EXHIBIT FINDINGS

10. Our examination of the underlying data comprising EXHIBIT 5-1, "AVAILABILITY ESTIMATES ANALYSIS OF CAPITAL CONSTRUCTION SERVICE AT THE PRIME LEVEL BY BUSINESS OWNERSHIP CLASSIFICATION AND FISCAL YEAR, MIAMI-BROWARD-PALM BEACH MARKET AREA" disclosed that for the year 2007-08, the number of Hispanic American Male contractors was inaccurately reported at 15 contractors, whereas the correct number is 14 Hispanic American Male contractors. As a result, the total number of firms and the associated percentage shown for the "Hispanic American Male" category shown in this exhibit is overstated, accordingly.

MGT RESPONSE: EXHIBIT FINDING 11

Subsequent review of the underlying data comprising Exhibit 5-1 showed a discrepancy in the number of contractors reported. This exhibit will be updated in the final/updated draft.

EXHIBIT FINDINGS

11. EXHIBITS 5-5 and 5-6, "DISPARITY ANALYSIS OF CAPITAL CONSTRUCTION SERVICE AT THE SUB LEVEL BY BUSINESS OWNERSHIP CLASSIFICATION AND FISCAL YEAR, MIAMI-BROWARD- PALM BEACH MARKET AREA" and "DISPARITY ANALYSIS OF DESIGN AND CONSTRUCTION- RELATED PROFESSIONAL SERVICES AT THE PRIME LEVEL BY BUSINESS OWNERSHIP AND FISCAL YEAR, MIAMI-BROWARD-PALM BEACH MARKET AREA" respectively, present information on the rate of utilization among the various M/WBE and Non-M/WBE classifications by fiscal year. Our review of this exhibits and examination of the underlying data comprising it disclosed that the "AVAILABLE FIRMS ESTIMATE" numbers and percentages used for each year of the study period remained the same. It is unlikely that the availability of firms would be static throughout the entire six years in the study period. Variation is more likely.

Aside from the variation expected in the number of subcontractors doing business with M-DCPS during the Study period, the number of subcontractors reported in specific business ownership categories within Exhibit 5-5 will vary from the number identified through our audit, based on the differences already noted in this report. It is note mentioning that based on our analysis of these differences, while the "PERCENT OF DOLLARS," "AVAILABLE FIRMS ESTIMATE" percent and value, and "DISPARITY INDEX" changed, the

"DISPARATE IMPACT OF UTILIZATION" remains unchanged for each business ownership classification, with the exception of the Hispanic American Male group for Fiscal Year 2006-2007. This group changed from being "substantially underutilized" to "underutilized."

MGT RESPONSE: EXHIBIT FINDING 12

This is an acceptable practice according to industry standards, since data was not available by year or for each year of the study period. It should be noted that based on the findings, while changes may occur to the disparate impact of utilization during certain fiscal years, the overall or total disparity impact of utilization for the racial/ethnic groups has not changed.

EXHIBIT FINDINGS

12. Our examination of the underlying data comprising EXHIBIT 7-4, "MIAMI-DADE COUNTY PUBLIC SCHOOLS SURVEY OF VENDORS DEMOGRAPHICS LARGEST PRIME CONTRACT AWARDED BY RACE/ETHNICITY/GENDER CLASSIFICATION" disclosed that the percentage (2.8%) presented for "Nonminority Female" in the \$5,000,001 - \$10 million category is overstated. The correct percentage should be 2.5%.

MGT RESPONSE: EXHIBIT FINDING 13

Subsequent review of this data revealed an incorrect value for the "Nonminority Female" in the \$5,000,001 - \$10 million category. This exhibit will be updated in the final/updated draft report.

EXHIBIT FINDINGS

13. Our examination of the underlying data comprising EXHIBIT 7-5, "MIAMI-DADE COUNTY PUBLIC SCHOOLS SURVEY OF BUSINESS OWNERS DEMOGRAPHICS LARGEST CONTRACT AWARDED

SUBCONTRACTOR BY RACE/ETHNICITY/GENDER CLASSIFICATION" disclosed that the information presented in 10 out of the 11 categories for contracts over \$1 million contained the following errors:

Race/Ethnicity/Gender	Percent Awarded As Shown in EXHIBIT 7-5	Percent Awarded As Per Audit
African American Females	0.0%	0.8%
African American Males	0.3%	0.8%
Asian American Females	0.0%	0.3%
Asian American Males	0.0%	0.5%
Hispanic American Females	0.3%	3.0%
Hispanic American Males	0.0%	0.5%
Nonminority Female	0.3%	0.8%
Nonminority Males	2.0%	4.0%
Total	2.8%	10.8%

MGT RESPONSE: EXHIBIT FINDING 14

Subsequent review of this data revealed incorrect values for the categories for contracts over \$1 million. This exhibit will be updated in the final/updated draft report.

EXHIBIT FINDINGS

14. Our examination of the underlying data comprising EXHIBIT 7-6, "MIAMI-DADE COUNTY PUBLIC SCHOOLS SURVEY OF VENDORS DEMOGRAPHICS CERTIFICATION BY RACE/ETHNICITY/GENDER CLASSIFICATION" disclosed that the total percentage (8.6%) presented for the "WOMAN BUSINESS ENTERPRISE" category is understated. The correct percentage should be 16.6%.

MGT RESPONSE: EXHIBIT FINDING 14

Subsequent review of this data revealed an incorrect value for the "WOMAN BUSINESS ENTERPRISE" category. This exhibit will be updated in the final/updated draft report.

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 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.

INTERNAL AUDIT REPORT

Audit of Disparity Study Phase 1



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