

# Internal Audit Report

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



### **Review of Internal Controls Over Facilities Operations – Maintenance Contracted Services, Supplies and Equipment Purchases**

Overall, the system of internal control over the service contracts managed by Maintenance incorporate many of the best practices for contracting goods and services. However, the effectiveness of these controls may be diminished due to weaknesses found in the process for a number of areas.

December 2011

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Superintendent of Schools

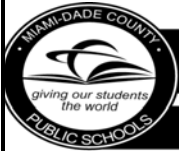
Mr. Jose F. Montes de Oca, CPA  
Chief Auditor  
Office of Management and Compliance Audits

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# **Miami-Dade County Public Schools**

**giving our students the world**

**Superintendent of Schools**  
Alberto M. Carvalho

**Chief Auditor**  
Jose F. Montes de Oca, CPA

**Miami-Dade County School Board**

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Raquel A. Regalado

November 14, 2011

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:

We have performed a review of the system of internal control over Facilities Operations – Maintenance (Maintenance) contracted services, supplies and equipment purchases, as designed and practiced to determine whether the controls are adequate to reduce the risk of errors and frauds going undetected. The review covered the system of internal control currently in place as represented by Maintenance's management.

This review was not included in our Annual Audit Plan because it was initiated to address concerns resulting from a fraud investigation conducted jointly by the Office of Management and Compliance Audits, the M-DCPS Police Department and the Federal Bureau of Investigations (FBI). That investigation concluded that the district was defrauded by approximately \$193,000 through a kickback scheme perpetrated by a former Maintenance employee using a fencing and gate repair service contract managed by Maintenance.

Overall, our review disclosed that the control system as designed and operated incorporates many of the best practices for contracting goods and services. In general, the processes are supported by a number of good control check points and forms that are adequate to reduce the risk of error and fraud going undetected. However, the effectiveness of these controls was diminished due to weaknesses found in some of the processes. We have made several recommendations to strengthen the processes and management has agreed to implement those recommendations.

We express our appreciation to Maintenance administration for their cooperation and assistance in conducting our review.

Sincerely,

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

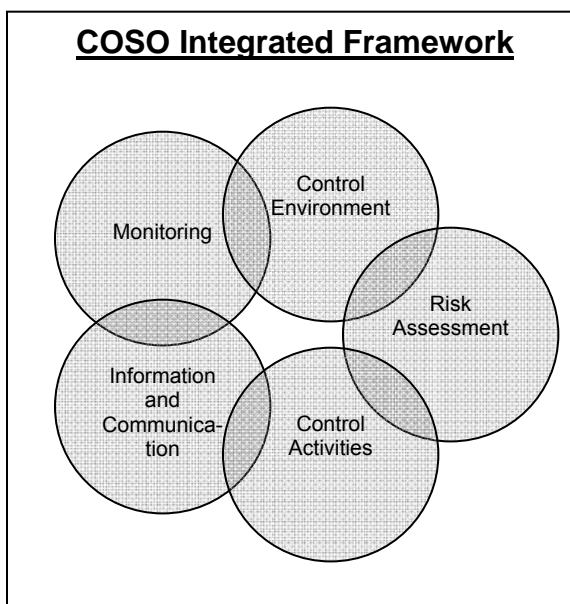
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## Executive Summary

As recipients of public funds, the Miami-Dade County Public Schools (M-DCPS) and its employees are entrusted with exercising proper oversight of these funds. M-DCPS Facilities Operations - Maintenance (Maintenance) manages and/or utilizes a substantial amount (over \$20 million in expenditures for FY 2010-11<sup>1</sup>) of public funds through term contracts to provide various services and materials. To exercise proper oversight of these funds, a system of adequate internal control is essential. When properly designed and functioning, internal control provides reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws and regulations.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) *Internal Control – Integrated Framework* provides a well-established model, which Maintenance's management can put in place. Although the five inter-related components<sup>2</sup> of COSO's Framework are equally important, with regards to Maintenance's management of the various services contracts, the control activities<sup>3</sup> and monitoring components were of greater concern to us in conducting this review. The reason for our overarching concern with these components centered on the financial fraud of \$193,000, which was perpetrated using one of the service contracts managed by Maintenance.



Professional auditing standards define a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, or correct errors made by management on a timely basis. A deficiency in design exists when (1) a control necessary to meet the objective is missing or (2) an existing control is not properly designed so that, even if the control operates as designed, the control objective is not met. A deficiency in operation exists when a properly designed control does not operate as designed, or when the person

<sup>1</sup> These include a combination of single and multi-year term contracts with aggregated capacity of approximately \$83 million.

<sup>2</sup> The five components of the COSO Integrated Framework are 1) Control Environment or “tone at the top”, 2) Risk Assessment, 3) Control Activities, 4) Information and Communication, and 5) Monitoring).

<sup>3</sup> They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

performing the control does not possess the authority or qualifications to perform the control effectively.<sup>4</sup>

Overall, our review of the system of internal control over the service contracts managed by Maintenance disclosed that the controls as designed and operated incorporate many of the best practices for contracting goods and services. In general the processes are supported by a number of good controls, check points and forms that are adequate to reduce the risk of errors and frauds going undetected. However, the effectiveness of these controls may be diminished due to weaknesses found in the process for the following areas:

Structural Design:

- The process flow diagrams for some of the contracts tested do not include some important control activities. In some instances, it was evident that, although not indicated in the system design, the activity was occurring in practice. In other instances, it was not evident from our review of the system design or project files that the activity was occurring.
- Multiple processes in the system of internal control indicate a lack of the necessary segregation of duties, as several functions within the processes are permitted to be performed by a single individual.
- The amount of the variance (10%) between the in-house independent estimate and the proposed cost from the vendor that is allowed without explanation is greater than reasonable limits.

Operating Practices:

- The descriptions on the work order forms used in the processes are vague. Information such as a description of the exact item to be repaired/replaced, exact locations in the building where the service is needed (i.e., room number, portable number, unit number and location, etc.), quantities, types and measurement is omitted.
- Some forms do not require the name, employee number and signature of individuals preparing, reviewing/authorizing documentation such as the scopes of work, in-house estimates and invoices; thereby, making it impossible to determine if the preparer is different from the reviewer/approver or if in fact these documents were reviewed.
- Files were lacking documentation such as scope of work, inspection reports/notes and/or “before and after” photographs of the affected work area.

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<sup>4</sup> *Government Auditing Standards* 6.12, Internal Control, July 2007 Revision, United States Government Accountability Office; p. 102.

- Some vendor proposals and invoices only include lump sum amounts instead of an itemization of the work completed and its cost.
- Daily Status Forms (FM-0405), which are used by Maintenance staff to report their labor hours and also serve as a means for the worksite administrator to indicate that the Maintenance staff provided services at his/her worksite, are being signed by Maintenance staff only and not by a representative at the location where the work was performed.
- Maintenance staff's approval of invoices for payment is not always performed against original invoices. In addition, the majority of the invoices contained only one signature (either a supervisor's or project manager's).

## Objective, Scope, and Methodology

Our objective was to review the system of internal control over Maintenance contracted services, supplies and equipment purchases, as designed and practiced to determine whether the controls are adequate to reduce the risk of errors and frauds going undetected. We reviewed the documentation on 18 project files. The projects dates ranged from the 2007 to 2011 Fiscal Years and involved nine different term contracts.

We performed the following procedures to satisfy our objectives:

- Interviewed Maintenance staff to gain an understanding of the business processes as designed and practiced.
- Documented and analyzed our understanding of the process flows design to determine strengths and weaknesses in the system design.
- Examined, on a sample basis, documentation on file to assess the extent to which the system functions as designed; and
- Performed various other procedures deemed necessary.

This review was not included in our Annual Audit Plan because it was initiated to address concerns resulting from a fraud investigation conducted jointly by the Office of Management and Compliance Audits, the M-DCPS Police and the Federal Bureau of Investigations (FBI). That investigation concluded that the District was defrauded by approximately \$193,000 through a kickback scheme perpetrated by a former Maintenance employee using a fencing and gate repair service contract managed by Maintenance.

We conducted this attestation engagement 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 review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our engagement objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on engagement objectives.

## Background

Maintenance is responsible for providing preventive, routine and emergency maintenance support to district-owned and leased facilities. This support function is executed through in-house Maintenance forces and contracted vendors selected from a list of approved term contracts/vendors. The contracted vendors provide services, equipment and supplies in augmentation of the expertise and work provided by in-house forces. Examples of projects requiring outside vendors are installation of entire security systems at new and existing schools, renovation of football fields, and cleanout and replacement of grease traps.

Projects are initiated and managed through a Work Order (WO) system. Requests for services are received from various sources, including school staff, maintenance staff and various other departments. In general, the process follows the following paths: Once a need for contracted services is established, School Board approved vendors are invited to participate in a site scope meeting. Typically, interested vendors are required to submit proposals. Maintenance staff is required to complete an in-house estimate that is later compared against the vendor's proposal.

If the project cost exceeds \$6,000 the proposals are to be routed through the M-DCPS Procurement Office. In those instances, that office is responsible for selecting the vendors to be used. If the project cost is estimated to be less than \$6,000, the proposals are received and processed directly by Maintenance. Once the proposal is approved, funding is secured, a Purchase Order (P.O.) is generated and approved, the selected vendor is given notice to commence and work is initiated. Maintenance staff is required to monitor the progress of work and to inspect the work to verify its completion. Payment is to be approved only after a final inspection is completed. The documentation supporting all transactions mentioned above are maintained in project files that are archived once the WO is closed.

The following are the 65 term contracts (single and multi-year) currently being managed and/or utilized by Maintenance for equipment, parts and services:

	TERM BID REPORT -	Term Contract ID	Award Amount
1	Partitions	002-HK01	\$ 89,000
2	Security Alarms Parts & Supplies	002-JJ11	25,964
3	Fire Alarm Components	003-JJ11	17,788
4	Doors – Wood	004-HJ06	83,000
5	Lift Station Repair	005-KK01	161,800
6	Electric Clocks and Intercom System Parts (Re-bid)	007-HK11	119,173
7	Sprinklers, Lawn and Turf <sup>⊕</sup>	007-KK06	43,300
8	Fire Alarm Service Contract	008-HL11	2,416,513
9	Painting & Incidental Work	008-KK06	210,000
10	Air Conditioners, Window and Wall	008-LL06	802,060
11	Intercom Master Clock & PA.	009-HK11	145,274
12	Pest Control Supplies <sup>△</sup>	009-JK06	-
13	Fire Suppression System Inspections	010-KK11	300,000
14	Auditorium Seating	011-LL01	400,000
15	HVAC-R Parts and Supplies, Manufacturers Discount	014-JJ06	2,000,000
16	Maintenance Inspections Deficiencies and Repairs.	014-LL09	24,100,000
17	Chiller Service Contract	015-KK06	6,000,000
18	Security System Service Contract	016-KK11	700,000
19	Grease Trap & Septic Tank Replacement	021-HH12	249,635
20	Refrigerant Gases	022-KK06	600,000
21	Sod Incidental Materials & Service	026-KK06	888,650
22	Emergency Debris Removal and Tree Pruning (No Max Value)	027-KK06	OPEN LIMIT
23	Backflow Preventer Repair, Overhaul, & Certification Testing Services	027-LL09	400,000

<sup>⊕</sup> Expired and pending renewal as of November 14, 2011.

<sup>△</sup> Expired as of November 14, 2011.

	TERM BID REPORT -	Term Contract ID	Award Amount
24	Fire Suppression System Retrofit and Additional Services <sup>⊕</sup>	029-JJ11	100,000
25	Studio Lighting and Stage Equipment <sup>⊕</sup>	032-JJ11	100,000
26	Cabinetry and Incidental Millwork	032-KK01	140,000
27	Disposal of Hazardous/Non-Hazardous Waste, Photo Waste and Chemicals	034-KK11	170,000
28	Playground Equipment and Installation <sup>Δ</sup>	035-FJ08	-
29	Water-Based Fire Protection Systems Services Contract	036-KK11	2,500,000
30	Fuel Storage Tanks & Monitoring Systems: Inspection, Repair & Replacement	037-KK11	409,168
31	Epoxy Flooring: Furnish and Installation (District Wide)	041-GJ09	286,058
32	Paint: Florida School Plant Management Association (FSPMA) Approved	042-HJ06	55,000
33	Pest Control Services: Food Service and Home Economics Laboratories	043-HJ06	100,000
34	Emergency Cleanup and Restoration	044-JJ02	300,000
35	Underground Petroleum Storage Tanks: Removal, Clean-up And Reporting	046-HH12	119,423
36	Bleachers- Repair and Replace <sup>⊕</sup>	047-FJ09	500,000
37	Elevator Repairs, Upgrades, Updates and Modernization	047-JJ06	1,000,000
38	Elevators & Wheelchair Lifts Inspections - Administration Services	051-HK10	128,255
39	HVAC and Controls: Repair, Replace, Supply and/or Installation	052-JJ06	6,000,000
40	Asphalt Paving, Resurfacing and Drainage <sup>Δ</sup>	054-FK10	-
41	Hollow Metal Doors and Frames-Stock Items	054-HJ06	30,000
42	Reinforced Concrete and Related Services (Supply and Install) <sup>Δ</sup>	055-FJ10	-
43	Moving and Installation of Relocatable Buildings	061-JJ10	950,000
44	Surveillance Camera Systems, Closed Circuit Television Systems	062-GK11	1,915,477
45	Hood & Conduct Cleaning	066-HH03	160,380
46	Pest Control, Extermination and Removal Services	066-JJ06	600,000
47	Tree, Palm & Shrub Pruning/Removal	068-GK06	120,000
48	Carpet and Floor Tile (Furnish and Install) -District wide	072-HK09	100,266
49	Fence Line and Lot Maintenance, North and South of Flagler <sup>¢</sup>	041-LL06	586,000
50	Electrical Signage: Supply, Installation & Repair <sup>£</sup>	066-KK09	500,000
51	Stage Curtains: Repair, Replacement, Supply and/or Install	076-KK06	200,000
52	Restroom Panels (Partitions): Supply, Install, Replacement and Repair <sup>Δ</sup>	080-EJ09	-
53	Maintenance and Repair Operations (MRO) Products (Pre-Qualification of Bidders)	081-JJ09	19,500,000
54	Fence and Gates, Furnish and Install District Wide	096-JJ09	669,324
55	Irrigation System Replacement and General Repairs	100-HK06	185,000
56	Wastewater Treatment Facilities Operate and Maintain <sup>□</sup>	037-LL01	155,019
57	Elevator Service Contract	101-JJ06	550,000
58	Grease Trap, Septic Tank and Storm Drain Pump-Out and Repair Services	103-HH12	659,514
59	Air Conditioners, Bard	109-JJ06	200,000
60	Electrical Services; Repair, Replacement, Supply And Install <sup>§</sup>	063-KK09	900,000
61	Miscellaneous Carpentry, Plumbing, Structural And General Repairs <sup>⊕</sup>	111-FF09	-
62	Strip wood Flooring: Repair, Replace And Refinish <sup>Δ</sup>	132-EJ09	-

¢ This is the successor bid to Bid 073-GK06, which was included in the list of bids in place at the commencement of fieldwork.

£ This is the successor bid to Bid 066-KK09, which was included in the list of bids in place at the commencement of fieldwork.

□ This is the successor bid to Bid 101-HK12, which was included in the list of bids in place at the commencement of fieldwork.

§ This is the successor bid to Bid 110-FF09, which was included in the list of bids in place at the commencement of fieldwork.

⊕ Expired and pending renewal as of November 14, 2011.

Δ Expired as of November 14, 2011.

	TERM BID REPORT -	Term Contract ID	Award Amount
63	Roofing Term Contract	RTB09-C1	1,500,000
64	Roofing Term Contract	RTB09-C2	1,500,000
65	Coarse Aggregates <sup>^</sup>	063-HH06	132,524
Total			<u>\$ 82,773,565</u>

## Work Initiation/Requisition Process

### Overview:

This phase begins the contracting process by identifying the need for services. The control objective is to adequately document this need. Adequate documentation entails providing detail information on the problem at hand, the location and extent of the problem, the service(s) required, the contact person and the name of the person reporting the problem.

The ultimate objective of this process is to ensure that an organization's service needs are identified and documented in a manner that will allow the organization to assess the legitimacy of those needs and monitor their resolution.

### Process Design:

Overall the Work Initiation/Requisition process in place at Maintenance, as designed, incorporates many of the best practices for contracting goods and services. The process is supported by a number of good control checkpoints and forms. The necessary segregation of duties also exists. Notwithstanding, the process could benefit from the following enhancements:

### OBSERVATIONS:

#### Structural Design

W1.1 The process flow pertaining to executing work to replace grass sod does not indicate the need to generate a WO. Moreover, a WO was not found in the file reviewed.

The process flow does not indicate the need for Maintenance staff to maintain a project or job file in the following areas: (1) repairing, replacing supplying and/or installing Heating Ventilation and Air Condition (HVAC) systems; (2) furnishing and installing sod and incidental materials; (3) tenting and fumigation services; (4) fire alarm services; (5) fuel storage tanks and monitoring system inspection, repair and replacing. However, for each of these services, a project file was provided for our review.

### RECOMMENDATIONS:

#### Structural Design

W1.1 Redesign the process flow to require that a detailed work order and project file be maintained for each job completed. The work order/project file could be in either an electronic or paper form. This will provide a means to identify and monitor the approved use of resources.

Operating Practice

W1.2 The description on some of the Request for Service Forms and WO's was vague. Information such as a description of the exact item to be repaired/replaced, exact locations in the building where the service is needed (i.e., room number, portable number, unit number and location), quantities, types and measurement was omitted.

W1.3 The requestor's name and signature currently being placed on the Request for Service Form are the Maintenance employee's not the individual from the school or district office requesting the service.

W1.4 Work order/project files examined for asphalts paving, resurfacing and drainage services, and maintaining fence line and lot did not contain the Request for Service Form.

Operating Practice

W1.2 Provide a detailed description of reported problem in the Request for Service Form and WO, including exact location of problem, specific symptom or condition noted, name and telephone number of individual reporting the problem. This information is necessary in order to establish an audit trail that will document any deviation from the originally requested services to those on the vendor's proposals and invoices. In addition, detailed descriptions will assist management in the validation and approval of invoices for payment.

W1.3 Require Maintenance staff to include on the Request for Service Form, the printed name, signature and employee number of the person requesting the services. Including the requester's information in this form will assist Maintenance and other district staff to identify a contact person and assign accountability in the event issues arise.

W1.4 Direct Maintenance staff to maintain a completed Request for Service Form on file for all jobs completed.

## **Management's Response:**

### Structural Design

W1.1 FOM agrees with the recommendation. The need for a project file is already detailed in FOM's Administrative Handbook (page CS:3). Process flowcharts have been clarified in step #6 to ensure the requirement for a project file is further emphasized and clearly stated.

### Operating Practice

W1.2 FOM agrees with the need to clearly articulate and document the need for services as these requests are reported to FOM through a "Request for Services" form. FOM's Administrative Handbook (pages CS:3 & CS:4) requires the responsible individual to clearly indicate the nature of the problem, location within the facility, requestor's name, employee number, signature and contact information.

W1.3 FOM agrees with the recommendation. Please refer to Management Response W1.2. However, in cases when the request for service is received by our Work Order Control Call Center it will not be possible to obtain a signature.

W1.4 FOM's Administrative Handbook (page CS:3) directs staff to ensure and maintain a detail Request for Service Form for all project files.

## Approval of Work Process

### Overview:

This intermediate phase in the contracting process is initiated with Maintenance staff completing a cost estimate and ends with that staff selecting an approved vendor to execute the required work. The control objectives of this phase are to ensure that the required work is proper to perform, the cost of the work is reasonably determined and documented, and the best vendor is selected for the job.

Adequate documentation during this phase includes a detailed scope of work and internal estimates that include exact descriptions of item(s) to be repaired/replaced, the item(s') exact location in the building, quantities, types and measurements. In addition, the documentation must include indications that the scope of work, internal estimate and vendor's proposal have been reviewed. The dates, names, employee numbers, and signatures of individuals who reviewed and approved the documents should be evident.

### Process Design:

Overall the Approval of Work process in place at Maintenance, as designed, incorporates many of the best practices for contracting goods and services. The process is supported by a number of good control checkpoints and forms. However, the effectiveness of these control checkpoints and forms could be diminished due to the lack of the necessary segregation of duties, as several functions within the process are permitted to be performed by a single individual. The process could benefit from the following enhancements:

### OBSERVATIONS:

#### Structural Design

A1.1 The process flow diagram for repairing, replacing, supplying and/or installing HVAC systems does not include the requirement for Maintenance staff to complete a detailed scope of work or solicit a cost proposal from the interested vendors. However, our review of selected project files revealed that a detailed scope of work is being completed.

A1.2 The design of the independent estimate form does not require the

### RECOMMENDATIONS:

#### Structural Design

A1.1 Redesign the process flow diagram to require that a Request for Proposal (RFP) be obtained and a detailed scope of work be completed and maintained for each job completed. This will ensure that a consistent mechanism is in place to train staff appropriately.

A1.2 Redesign the independent/internal cost estimate document to:

name, employee number, and signature of the person(s) preparing and reviewing the estimate.

Proper segregation of duties between preparers and reviewer/approver of the detailed scope of work and independent estimates is not delineated in the process.

A1.3 The amount of the variance (10%) between the independent estimate and the proposed cost that is allowed without explanation is greater than reasonable limits.

A1.4 The following term bids do not include a step on the flowchart indicating the need to send the purchase order (PO) to the vendor:

- ◆ HVAC Repair, Replacement, Supply and/or Installation
- ◆ Fire Alarm Service Contract
- ◆ Pest Control, Extermination & Removal
- ◆ Maintenance Inspections Deficiencies Repairs & Renovations
- ◆ Fuel Storage Tanks and Monitoring System Inspection, Repair and Replacement

The following Term Bids do not include a step of the flowchart indicating a Notice to Commence is sent to Vendor:

- ◆ Maintenance Inspections Deficiencies Repairs & Renovations.

The following Term Bids did not include a step for Pre-Construction Meeting:

- ◆ Add spaces for the printed names, employee numbers and signatures of preparer and reviewer/approver.

- ◆ Require that the preparer and reviewer/approver be different individuals.

A1.3 Lower the allowable variance from 10% to a more reasonable limit and require that reasons for the variance be documented.

A1.4 Redesign the process flow diagrams to include steps indicating:

- ◆ Purchase Order (PO) and Notice of Commencement are sent to vendor(s).
- ◆ Pre-Construction Meeting is held when required, based on term bid.

- ◆ Maintenance Inspection  
Deficiencies Repairs and  
Renovations
- ◆ Sod, Incidental Materials and  
Services – Supply, Furnish and  
Install.

#### Operating Practice

A1.5 The description on some of the Scope of Work is vague. Information such as a description of the exact item to be repaired/replaced, exact location in the building where the service is needed (i.e., room number, portable number, unit number and location, etc.), quantities, types and measurement are omitted.

A1.6 It was not possible to determine who prepared some of the internal cost estimates reviewed, because neither the preparer's name nor signature was on the documents. Also, it is not evident whether these estimates were subject to supervisory review, since the documents did not contain a name and/or signature to indicate they were reviewed.

A1.7 Some written proposals from vendors included only lump sum total cost as opposed to itemized costs. In some instances, the amount the district paid was

#### Operating Practice

A1.5 Direct Maintenance staff to document and maintain a detailed description of the work to be done in the Scope of Work, including exact location of problem, specific symptom or condition noted, name and telephone number of individual reporting the problem, for each work order/project file. This information is necessary in order to establish an audit trail that will document any deviation from the originally requested services to those on the vendor's proposals and invoices. Detailed descriptions will assist management in the validation and approval of invoices for payment.

A1.6 Require preparers and reviewers of the internal cost estimate documents to include their printed name, employee number and signature in the said documents at the time of completing the noted functions. See Recommendation A1.2.

A1.7 Require vendor to submit itemized cost proposals, which include quantities and amounts, when responding to a request for services. Itemization will aid

significantly greater than the amount indicated in the vendor's proposal.

A1.8 Documentation, such as the name and signature of a supervisor, evidencing the validation process was performed is inconsistent and non-existent in some cases.

A1.9 A written scope of work and PO, which are control features designed into the process flows for procuring services, were not found in the project files for the following term contracts: (1) Fence & Gate, Furnish & Installation, (2) Asphalt Paving Resurfacing & Drainage, and (3) Electrical Service: Repair, Replacement, Supply and Installation.

management in validating the reasonableness of the proposed cost and the actual value of the work provided and invoiced.

A1.8 Direct Maintenance supervisory staff to consistently document their performance of the proposal validation process. Ideally, the proposal should be reviewed by an individual different from the person creating the detailed scope of work and the internal cost estimate. In addition to comparing the internal cost estimates to the vendor's proposed estimated cost, the former individual should be looking for trends and repetitions of amounts, vendors, vendor representative, schools or whole dollar amounts, etc.

A1.9 Direct Maintenance staff to maintain a completed scope of work document in each project/work order file.

#### Management's Response:

##### Structural Design

A1.1 FOM agrees with the recommendation. The need for a Request for Proposal based on a well-defined scope of work is essential to control project cost. The process flowcharts have been enhanced to properly identify these requirements (see steps #7 & #9). FOM's Administrative Handbook section on miscellaneous contracted services (page CS:6) documents this requirement.

- A1.2 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:6) directs staff to include in the project file an internal cost estimate which includes the printed names, employee numbers and signatures of the preparer and reviewer at the time the function is performed. Also, the preparer and reviewer will be different individuals.
- A1.3 FOM recognizes the need for accurate cost estimates. Per FOM's Administrative Handbook (page CS:7), staff is directed to reconcile all variances.
- A1.4 FOM agrees with the recommendation and has clarified process flowcharts to indicate purchase orders and Notices of Commencements should be issued (steps #16 & #17). FOM's Administrative Handbook (page CS:8) directs staff to schedule preconstruction meetings.

Operating Practice

- A1.5 FOM agrees with the recommendation. The need for a detailed scope of work is clearly outlined in our process flowcharts (step #7). Also, please refer to Management Response W1.2.
- A1.6 FOM agrees with the recommendation. Please refer to Management Response A1.2.
- A1.7 FOM agrees with the recommendation. Staff will request itemized proposals and quotes based on the requirements of the term bid contract. FOM management recognizes that itemized proposals and quotes simplify the validation process. This requirement is currently outlined in FOM's Administrative Handbook (page CS:7).
- A1.8 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:5) has been enhanced to ensure the integrity of proposal validation process.
- A1.9 FOM agrees with the need to maintain a complete project file. The creation of a project file and a detail scope of work are required and outlined in our process flowcharts (steps #6, #7 & #24) and FOM administrative handbook (pages CS:3 & CS:4). Also, please refer to Management Responses W1.1 and A1.5.

## Execution of Work Process

### Overview:

This intermediate phase in the contracting process commences after a vendor is given notification to proceed with the contracted work. Critical control features in this phase include Maintenance staff monitoring the progress of work, responding to vendors' interrogatories and inspecting the work to verify completion. Payment is not approved until a final inspection is done.

Adequate oversight in this phase requires that each inspection performed be documented and the documentation include name and signature of individual performing the inspection, important matters observed, conclusion of the inspection, and date the inspection was conducted.

The ultimate objective of this process is to ensure that goods and services meet the contract terms.

### Process Design:

Overall the Execution of Work process in place at Facilities Operations - Maintenance, as designed, incorporates a number of the best practices for contracting goods and services. The process is supported by a number of good control checkpoints and forms. However, the effectiveness of these control checkpoints and forms could be diminished due to the lack of the necessary segregation of duties, as several functions within the process are permitted to be performed by a single individual. The process could benefit from the following enhancements:

### OBSERVATIONS:

#### Structural Design

E1.1 The process flow diagram detailing how work is executed under the Fire Alarm term contract does not indicate the need for Maintenance staff to perform inspections of the work completed.

#### Operating Practice

E1.2 Some Maintenance Staff include field inspections reports/notes and before-and-after pictures in the project/work order files. However, some files were missing these

### RECOMMENDATIONS:

#### Structural Design

E1.1 Redesign the process flow diagram for Fire Alarm to incorporate the need to perform field inspection of the work completed to ensure it meets the contract terms.

#### Operating Practice

E1.2 Direct Maintenance staff to maintain completed field inspection documentation on file for each project. This documentation whether on sheets

items.		of papers or data base, should include the name of the individual performing the inspections, the date of the inspection and a conclusion on the inspection, including any discrepancies. Before and after photographs of critical matters observed could enhance the documentation process.
E1.3 Daily Status Forms (FM-0405), which are used by Maintenance staff to report their labor hours, are being signed by Facilities Operations - Maintenance staff only and not by a representative at the location where the work was performed.		E1.3 Direct Maintenance staff to obtain the name and signature of the Principal or his/her designee on Form FM-0405. In addition, revise Form FM-0405 to provide space for the said name to be printed. These measures should assist Maintenance staff in identifying a point of contact in the event issues arise, as well as enhancing deterrent controls.

**Management's Response:**

**Structural Design**

E1.1 FOM agrees with the recommendation. All work performed by a vendor should be inspected to ensure the work meets the contracted terms. Both our process flowcharts and FOM's Administrative Handbook (page CS:8) requires that work be inspected. Evidence of these inspections is required to be maintained in the project file. It is further noted that fire safety system such as the fire alarm is inspected periodically by the local Fire Marshall and the District's Safety inspectors.

**Operating Practice**

E1.2 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:8) was enhanced to emphasized the requirement to maintain accurate inspection records in the project files. Individuals conducting the inspections will be clearly identified.

E1.3 FOM agrees with this recommendation. The Daily Status Form (FM-0405) has been revised to provide space for the print name of the Principal or his/her designee.

## Payment and Closeout Process

### Overview:

This final phase in the contracting process commences after the vendor completes his/her fieldwork and concludes when all necessary documents are filed in the work order and project files. The primary objectives of this phase are to ensure that payment is for valid services and/or goods and commensurate with the quantity and quality of services and/or goods received, and the appropriate records are maintained. To achieve these objectives, invoices should be reviewed and approved by appropriate individuals, and files should be reviewed for completeness. Documents to be reviewed in this process should include scope of work, internal cost estimates, vendor's proposals, field inspection report/notes and original invoices.

### Process Design:

Overall the Payment and Closeout process in place at Facilities Operations - Maintenance, as designed, incorporates a number of the best practices for contracting goods and services. The process is supported by a number of good control checkpoints and forms. However, within the design of the payment approval process, there is no requirement to cross-match or compare key documents such as the vendor's approved and accepted proposal, in-house estimate and invoice for agreement when approving invoice for payment. In addition payments are not always being approved from original invoices.

### OBSERVATIONS:

#### Structural Design

P1.1 The process flow indicates the need to approve an invoice before payment is processed; however, there is no guidance regarding which documents should be reviewed and compared against the invoices before payment is authorized for the following term contracts:

- ◆ Asphalt Paving, Resurfacing and Drainage
- ◆ Bleachers - Repair and Replacement
- ◆ Fence and Gates - Furnish and Install
- ◆ Fence Line and Lot Maintenance

### RECOMMENDATIONS:

#### Structural Design

P1.1 Redesign the process flow diagram to include guidance concerning which document must be reviewed and compared against invoice before approving payment. This will ensure that the required controls are in place and a consistent mechanism is in place to train staff appropriately.

- ◆ Surveillance Camera Systems, Closed Circuit Television Systems
- ◆ Security Systems Services Contract
- ◆ Fuel Storage Tank and Monitoring System Inspection, Repair & Replacement
- ◆ Grease Trap, Septic Tank and Storm Drain Pump-Out and Repair Services.

Operating Practice

P1.2 Maintenance staff's approval of invoices for payment is not always performed against original invoices. We determined that some vendors provided invoices via fax, and e-mail.

P1.3 Payments are made on invoices that are not itemized.

P1.4 The majority of the invoices approved for payment contain only one signature (either a supervisor's or project manager's). These documents do not contain the name or employee number of the signer.

Operating Practice

P1.2 Vendor's invoices received directly in Maintenance must be original and contain authenticating details and be addressed to the Site Administrator or Senior Level Coordinator in order to be approved for payments.

P1.3 Direct Maintenance staff to approve payments only for original itemized invoices. Maintenance staff should ensure that vendors are clearly informed that any invoice presented for payment must be itemized to list quantity, unit cost and total cost for goods or services invoiced. Each line item must agree to the vendor's proposal.

P1.4 The name, signature and employee number of both a field personnel and a supervising administrator along with the "Goods Received Per Order" notation should be appended to the itemized original invoice to process payment to vendors. The signing of the "Goods Received Per Order" stamp should be an indication that the approver(s) compared itemized invoices to

itemized proposals and reviewed inspection notes. This will ensure that vendors are paid for the exact quantities and values delivered as agreed to in the contracts.

### **Management's Response:**

#### Structural Design

P1.1 FOM agrees with the recommendation. Process flowcharts (steps #22 & #23) and FOM's Administrative Handbook (page CS:9) have been enhanced to reflect this requirement. These guidelines require vendor invoices to be compared against original proposal, purchase order and appropriate inspection reports.

#### Operating Practice

P1.2 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:9) has been modified to require the review of invoices for authenticating characteristics.

P1.3 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:9) provides the necessary guidelines for administrative staff to follow when approving invoices. This process requires itemized invoices.

P1.4 FOM agrees with the recommendation. The aforementioned guidelines fully address the importance of matching documents and inspection reports to ensure proper payment to the vendor. The need for dual signatures is established to allow for segregations of duties when approving invoices for payment. Staff responsible for this function is fully aware of the responsibility associated with the authorization of payments to vendors and contractors. Process flowcharts and FOM's Administrative Handbook have been strengthened to emphasize the same.

# Management's Response

## MEMORANDUM

November 10, 2011

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

**FROM:** Carl Nicoleau, Assistant Superintendent  
Facilities Operations, Maintenance

**SUBJECT:** REVIEW OF THE SYSTEM OF INTERNAL CONTROL OVER MAINTENANCE OPERATIONS,  
MAINTENANCE CONTRACTED SERVICES, SUPPLIES AND EQUIPMENT PURCHASE

Attached, please find our formal response and relevant exhibits from Facilities Operations, Maintenance (FOM) Management regarding observations and recommendations resulting from the above subject audit. FOM Management is in full support of the stated recommendations and implementation is underway.

Administrative procedures and process flow charts have already been revised and mandatory training has been scheduled for all staff members involved in the execution of project work. Full implementation is anticipated prior to Winter Recess.

Your acknowledgement that existing control systems and processes incorporate many recognized best practices was reassuring. We look forward to strengthening specific procedures noted by your staff to further reduce the potential for fraud.

Thank you for the collaborative manner in which this review was conducted. If you have any questions please call me, at 305-995-4019.

 CN

CN/FXH:t  
Attachments (3)  
M1112-025

cc: Mr. Alberto M. Carvalho  
Mr. Jaime G. Torrens  
Mr. Francis X. Hoar  
Mr. Anthony Adams  
Mr. Alberto Benitez  
Mr. Marvin Chapman  
Mr. Luis Martinez  
Mr. Ignacio Palacio  
Mr. Edward Velez

# REVIEW OF THE SYSTEM OF INTERNAL CONTROL OVER MAINTENANCE OPERATIONS, MAINTENANCE CONTRACTED SERVICES, SUPPLIES AND EQUIPMENT PURCHASE

## Management Responses

### **Work Initiation/Requisition Process**

#### Operating Practice

- W1.1 FOM agrees with the recommendation. The need for a project file is already detailed in FOM's Administrative Handbook (page CS:3). Process flowcharts have been clarified in step #6 to ensure the requirement for a project file is further emphasized and clearly stated.
- W1.2 FOM agrees with the need to clearly articulate and document the need for services as these requests are reported to FOM through a "Request for Services" form. FOM's Administrative Handbook (pages CS:3 & CS:4) requires the responsible individual to clearly indicate the nature of the problem, location within the facility, requestor's name, employee number, signature and contact information.
- W1.3 FOM agrees with the recommendation. Please refer to Management Response W1.2. However, in cases when the request for service is received by our Work Order Control Call Center it will not be possible to obtain a signature.
- W1.4 FOM's Administrative Handbook (page CS:3) directs staff to ensure and maintain a detail Request for Service Form for all project files.

### **Approval of Work Process**

#### Structural Design

- A1.1 FOM agrees with the recommendation. The need for a Request for Proposal based on a well-defined scope of work is essential to control project cost. The process flowcharts have been enhanced to properly identify these requirements (see steps #7 & #9). FOM's Administrative Handbook section on miscellaneous contracted services (page CS:6) documents this requirement.
- A1.2 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:6) directs staff to include in the project file an internal cost estimate which includes the printed names, employee numbers and signatures of the preparer and reviewer at the time the function is performed. Also, the preparer and reviewer will be different individuals.

## Management's Response

- A1.3 FOM recognizes the need for accurate cost estimates. Per FOM's Administrative Handbook (page CS:7), staff is directed to reconcile all variances.
- A1.4 FOM agrees with the recommendation and has clarified process flowcharts to indicate purchase orders and Notices of Commencements should be issued (steps #16 & #17). FOM's Administrative Handbook (page CS:8) directs staff to schedule preconstruction meetings.
- A1.5 FOM agrees with the recommendation. The need for a detailed scope of work is clearly outlined in our process flowcharts (step #7). Also, please refer to Management Response W1.2.
- A1.6 FOM agrees with the recommendation. Please refer to Management Response A1.2.
- A1.7 FOM agrees with the recommendation. Staff will request itemized proposals and quotes based on the requirements of the term bid contract. FOM management recognizes that itemized proposals and quotes simplify the validation process. This requirement is currently outlined in FOM's Administrative Handbook (page CS:7).
- A1.8 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:5) has been enhanced to ensure the integrity of proposal validation process.
- A1.9 FOM agrees with the need to maintain a complete project file. The creation of a project file and a detail scope of work are required and outlined in our process flowcharts (steps #6, #7 & #24) and FOM Administrative Handbook (pages CS:3 & CS:4). Also, please refer to Management Responses W1.1 and A1.5.

### **Execution of Work Process**

#### Structural Design

- E1.1 FOM agrees with the recommendation. All work performed by a vendor should be inspected to ensure the work meets the contracted terms. Both our process flowcharts and FOM's Administrative Handbook (page CS:8) requires that work be inspected. Evidence of these inspections is required to be maintained in the project file. It is further noted that fire safety system such as the fire alarm is inspected periodically by the local Fire Marshall and the District's Safety inspectors.

#### Operating Practice

- E1.2 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:8) was enhanced to emphasized the requirement to maintain accurate inspection records in the project files. Individuals conducting the inspections will be clearly identified.

## Management's Response

- E1.3 FOM agrees with this recommendation. The Daily Status Form (FM-0405) has been revised to provide space for the print name of the Principal or his/her designee.

### **Payment and Closeout Process**

#### Structural Design

- P1.1 FOM agrees with the recommendation. Process flowcharts (steps #22 & #23) and FOM's Administrative Handbook (page CS:9) have been enhanced to reflect this requirement. These guidelines require vendor invoices to be compared against original proposal, purchase order and appropriate inspection reports.

#### Operating Practice

- P1.2 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:9) has been modified to require the review of invoices for authenticating characteristics.
- P1.3 FOM agrees with the recommendation. FOM's Administrative Handbook (page CS:9) provides the necessary guidelines for administrative staff to follow when approving invoices. This process requires itemized invoices.
- P1.4 FOM agrees with the recommendation. The aforementioned guidelines fully address the importance of matching documents and inspection reports to ensure proper payment to the vendor. The need for dual signatures is established to allow for segregations of duties when approving invoices for payment. Staff responsible for this function is fully aware of the responsibility associated with the authorization of payments to vendors and contractors. Process flowcharts and FOM's Administrative Handbook have been strengthened to emphasize the same.

# MIAMI-DADE COUNTY PUBLIC SCHOOLS ANTI-DISCRIMINATION POLICY

## *Federal and State Laws*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **In Addition:**

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

*Revised: (07-11)*

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## **INTERNAL AUDIT REPORT**

### **Review of Internal Controls Over Facilities Operations – Maintenance Contracted Services, Supplies and Equipment Purchases**



**MIAMI-DADE COUNTY PUBLIC SCHOOLS**  
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