

# Internal Audit Report



## Miami-Dade Schools Police Department Procurement Card And Other Purchases



**Past practices revealed significant weaknesses in the internal controls over the M-DSPD procurement credit card function, including unauthorized purchases and circumventing controls. Subsequently, the related processes were changed to strengthen controls and improve practices.**

December 2009

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

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Superintendent of Schools

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# Miami-Dade County Public Schools

*giving our students the world*

**Superintendent of Schools**  
Alberto M. Carvalho

**Miami-Dade County School Board**

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November 25, 2009

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

Ladies and Gentlemen:

At the request of the Interim Chief of Police, we performed an audit of the Miami-Dade Schools Police Department (M-DSPD) procurement card and other purchases (i.e., purchase orders created). The objectives of the audit were to assess the billing and payment practices in place over the procurement card and other purchases and evaluate the propriety of these payments. The scope of our audit included payments posted during the 2006-07, 2007-08 and 2008-09 fiscal years.

Our audit disclosed several weaknesses in the internal controls over the M-DSPD procurement credit card function, including but not limited to unauthorized purchases, untimely submittal of the reconciliation work sheets, and lack of advanced approval and support of transactions. Notwithstanding these weaknesses, to current management's credit, the process has improved in the last fiscal year. In addition, impropriety and lack of internal controls also exists over other purchases. Some of the conditions noted included paying for goods and services without proper support or without adhering to School Board rules; paying on inaccurate invoices, which resulted in vendor overpayments; posting purchases to the incorrect account funding structure; and not tagging equipment valued over the established threshold as required by district policies.

Our findings and recommendations were discussed with management. Their responses along with explanations are included herein. We would like to thank management for their cooperation and courtesies extended to our staff during the audit.

Sincerely,

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



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## **EXECUTIVE SUMMARY**

This audit was performed at the request of the Interim Chief of Police. The objectives of the audit were to assess the billing and payment practices in place over the procurement card and other purchases, and to evaluate the propriety of these payments. Based on these objectives, we concluded that:

- Management needs to give more attention to and improve upon the internal controls exercised over the procurement credit card program purchases. Although to current management's credit, the process was improved in the last fiscal year, we found several instances of noncompliance with the Purchasing Credit Card Program Purchasing and Procedures Manual, including unauthorized purchases, untimely submittal of the reconciliation work sheet, and lack of advanced approval and support of transactions.
- Impropriety and lack of internal controls exists over purchases. Our audit disclosed that the department purchased goods or services without properly supporting the payment and without adhering to School Board rules. Several invoices were inaccurate resulting in vendor overpayments. In addition, purchases were posted to the incorrect account funding structure and equipment over the threshold was not tagged as required by district policies.

Based on our observations, we made eight recommendations. We have received responses to our findings and recommendations from management and have included those responses in our report. Our detailed findings and recommendations start on page 5.

## **INTERNAL CONTROLS**

Our overall assessment of internal controls for the Miami-Dade Schools Police Department (M-DSPD) procurement process for the period under audit is summarized in the table below.

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

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

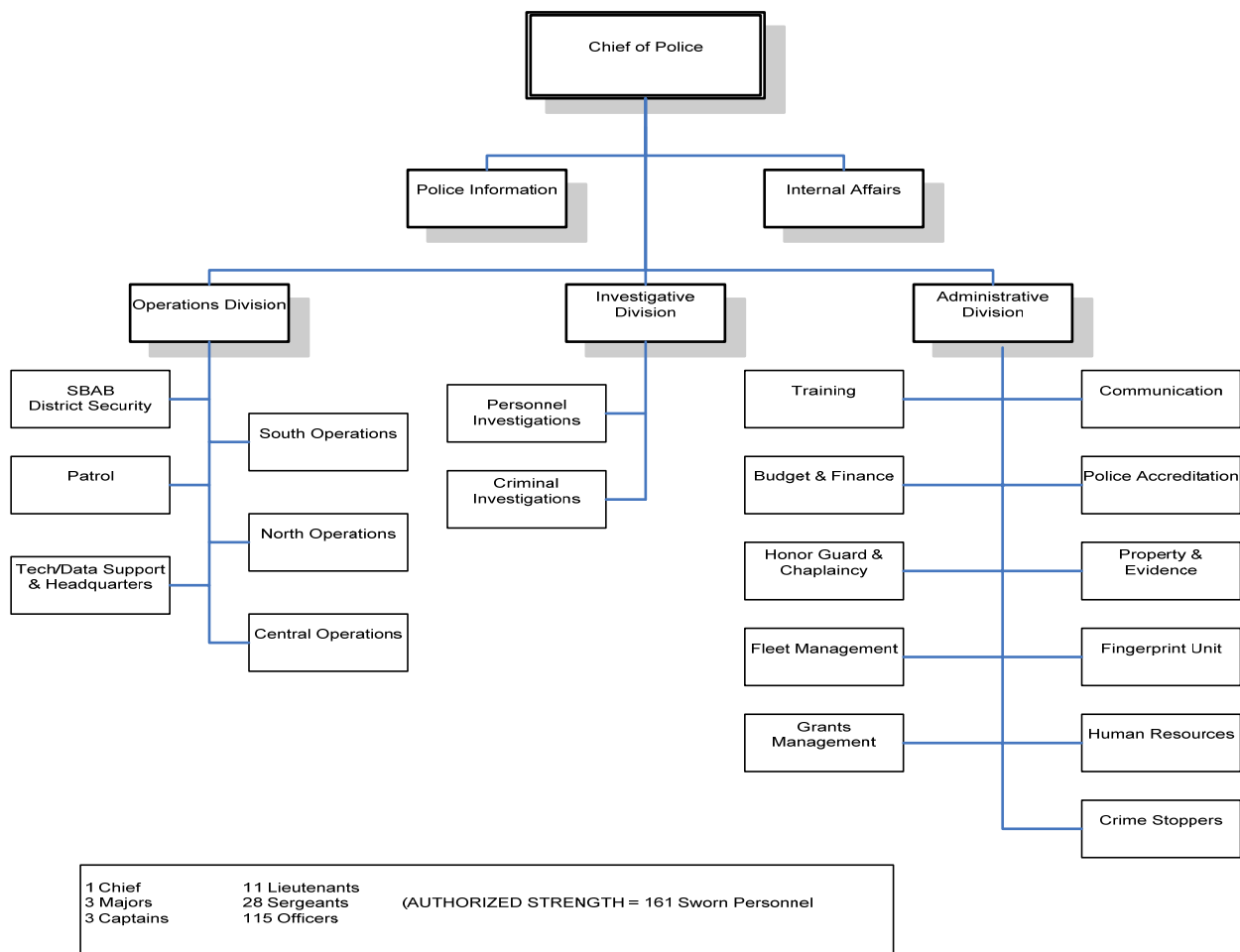


## BACKGROUND

The Miami-Dade Schools Police Department (M-DSPD) has an authorized force of 161 sworn law enforcement personnel. The current organizational structure is presented in the condensed organizational chart below. The tenure of the current interim Chief of Police began in August 2008; therefore, most of the purchases reviewed were not executed during his administration.

The M-DSPD general fund budgets for the FY 2006-07, FY 2007-08 and FY 2008-09 were \$21.9 million, \$23.2 million, and \$17.7 million, respectively. The department's total procurement card purchases during the same period were approximately \$143,000. During the audit period, the department had five active procurement cards and completed almost 500 credit card transactions. The department has since reduced its number of active purchasing cards to one.

## CONDENSED ORGANIZATIONAL CHART



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

At the request of the Interim Chief of Police, we performed an audit of the Miami-Dade Schools Police Department (M-DSPD) procurement card and other purchases (i.e., purchase order created). The objectives of the audit were to assess the billing and payment practices in place over the procurement card and other purchases and to evaluate the propriety of these payments. The scope of our audit included payments posted during the 2006-07, 2007-08, and 2008-09 fiscal years.

Procedures performed to satisfy the audit objectives were as follow:

- Interviewed department and other district staff.
- Reviewed department's Standard Operating Procedures, applicable State Statutes, School Board rules, and applicable district manuals.
- Examined invoices, contracts, bids, and other documentation supporting the department's purchases.
- Performed various other audit procedures as deemed necessary.

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

## **FINDINGS AND RECOMMENDATIONS**

### **1. INTERNAL CONTROLS OVER THE DEPARTMENT'S PURCHASING CREDIT CARD TRANSACTIONS WERE NONEXISTENT**

The Purchasing Credit Card Program Purchasing and Procedures Manual (Manual) requires that each credit card user department submits the Monthly Reconciliation Work Sheet to the Office of the Controller Cost and Business Services Section within 10 days of receipt of the monthly credit card statement. The Manual also states that all purchases must be approved in advance using the Purchasing Card Purchase Authorization form. In addition, each credit card user department is required to obtain and retain a signed copy of the original transaction receipt for each purchase, acknowledging that goods or services were received.

We reviewed 69 Monthly Reconciliation Work Sheets prepared between July 2006 and January 2009, and found the following:

- Sixty-two (62) or 90% of the Reconciliation Work Sheets were not timely submitted as required by the Manual. Delays ranged between 30 and 106 days.
- Eighteen (18) or 26% of the Reconciliations Work Sheets contained mathematical errors and required corrections by staff from the Office of the Controller Cost and Business Services Section.
- All 69 of the Reconciliation Work Sheets contained transactions that the department administrator did not approved in advance.
- The 69 Reconciliation Work Sheets contained 452 transactions. The required original receipt supporting the expenditures for 78 (17%) transactions was not presented for audit. In addition, an authorization form was not presented for audit for 21 (5%) of these transactions.
- Seventy-three (73) or 16% of the expenditures are prohibited by the Manual.

- Eight (8) purchases were split into smaller values to circumvent the \$1,000 per transaction threshold set by the Manual.

The following table presents a sample of total purchases from 19 vendors during the period audited. The nature and background of some of the cited purchases need to be detailed since these purchases appear to be excessive, unnecessary, and in some cases intentionally structured to circumvent existing policies, procedures, School Board rules, and internal controls.

Table of Sample of Exceptions By Category for Nineteen Vendors					
Vendor	Date(s) Purchased	Total Amount Purchased	Total Amount In Unauthorized Purchases	Total Amount Without A Receipt or Invoice	Total Amount Without An Authorization Form
Vendor 1 - Restaurant	6/16/06 to 12/13/07	\$2,680	\$2,680	\$675	\$0
Vendor 2 - Supermarket ±	6/19/06 to 7/22/08	4,849	4,849	3,658	775
Vendor 3 - Restaurant ±	6/1/07 to 6/4/07	1,300	1,300	0	0
Vendor 4 - Restaurant	7/16/07 to 1/10/08	250	250	210	189
Vendor 5 - Restaurant	2/8/07 to 1/22/08	4,867	4,867	1,574	0
Vendor 6 - Office Products Supplier	8/21/06 to 2/1/08	2,922	1,876	710	874
Vendor 7 - Office Products Supplier*	12/20/07 & 2/14/08	871	186	186	871
Vendor 8 - Carpet Cleaning	2/20/07	770	770	770	770
Vendor 9 - Training Provider	3/2/07	769	769	0	0
Vendor 10 - Specialty Store	6/2/07	518	518	518	518
Vendor 11 - Training Provider ±	6/19/07 & 7/21/07	1,596	1,596	0	0
Vendor 12 - Specialty Store	8/1/07	225	225	0	0
Vendor 13 - Shipping Store	8/30/07	249	25	0	0
Vendor 14 - Membership in Professional Organization	9/26/07	125	125	0	0
Vendor 15 - Carpet Cleaning*	10/12/07 & 1/16/08	552	552	19	19
Vendor 16 - Unknown±	10/23/07 & 11/11/07	1,996	1,996	1,996	1,996
Vendor 17 - Membership in Professional Organization*	8/17/06	250	250	250	250
Vendor 18 - Wireless Phone Product Supplier	12/15/06 & 12/16/06 & 3/19/07	375	375	175	175
Vendor 19 - Restaurant	2/9/07 to 2/26/07	234	234	182	0
<b>Total</b>		<b>\$25,398</b>	<b>\$23,443</b>	<b>\$10,923</b>	<b>\$6,437</b>

\* Includes charges credited back to account; however, a credit memo was not presented for audit.

± Includes transactions that were split to circumvent the \$1,000 threshold set by the manual.

## **Unauthorized or Prohibited Purchases and Late Payment**

According to Policies and Guidelines 3.c., of the Purchasing Credit Card Program Policies & Procedures Manual, “[r]efreshments, coffee, water, cups, plates, etc., including food purchases for hospitality meetings and special observances... decorative letterhead or stationary, greeting cards... cannot be purchased with the purchasing credit card.” Such purchases are, therefore, unauthorized expenditures.

- The amount paid to Vendor No. 1 in the preceding table was for meals priced between \$15 and \$17 per person and included a self-service catering set up, eating utensils, plates and food warmers. A member of the administration in charge at the time these purchases were made stated that the meals were ordered for command staff meetings, which were held from approximately 10:00 a.m. to 3:00 p.m., during which time staff was not allowed to leave the premises.

The scheduling of the command staff meetings appears to have created a “perk” for this select group of staff. Moreover, these purchases were effectuated through unauthorized expenditures. Scheduling the meeting outside of the lunch period and/or requesting that the affected staff take their lunch break prior to or after the meeting, as well as managing the length of the meetings would have eliminated the need for this unauthorized “perk”.

- The amount paid to Vendor No. 9 was the registration cost for a member of the school police administration to attend an international summit in Toronto, Canada. Documentation reviewed indicated that the \$769 payment included meals and a cocktail reception, both of which are unauthorized expenditures according to the Manual.
- The amount paid to Vendor No. 12 was an unauthorized expenditure for greeting cards the former Chief of Police sent to different district departments during the holidays. In addition, the District paid the invoice 240 days late, only after the department received a demand letter from the vendor's attorney.

## **Inadequate Control and Documentation**

According to Policies and Guidelines 3.b., of the Purchasing Credit Card Program Policies & Procedures Manual, Work Location Purchasing Card

Administrators have the flexibility of authorizing a maximum of three (3) credit cards for the department's use. Request for additional cards must be in writing and approved by the department chief. In addition, Policies and Guidelines 5.a., of the Manual states that original transaction receipts must be obtained and retained on file for each purchase.

- According to documents reviewed, the police department had eight store credit cards to make purchases from Vendor No. 2 in the preceding table; including one card in the name of an employee who is no longer employed by the District. The current Chief has since cancelled those cards. As noted in the table, 75% of the charges were not supported by receipts. We contacted the vendor but were unable to obtain copies of receipts because, according to the vendor, the transactions had exceeded their archiving limits and the receipts were purged from their system.

Moreover, the amount paid to this vendor was for purchases of groceries, an unauthorized expenditure. Management indicated that some of these purchases could have been for command staff meetings, but that this was not certain. The Purchasing Card Purchase Authorization forms indicated that these purchases were for "logistical support for MDSPD."

Although the eight credit cards were store credit cards, the underlining principles of internal control over the maximum number of bank credit cards that should be approved for use in the location should apply. Locations should not be allowed to open credit accounts with other businesses, but limit their credit activity to the District's Purchasing Credit Card Program. In addition, location administrators should comply with the established guidelines and limit the number of bank credit cards approved.

### **Questionable Expenditures**

As stated in the Manual, the goal of the District's Purchasing Credit Card Program is to reduce the number of costly transactions processed by the Procurement and Accounts Payable departments, while allowing authorized employees to acquire materials and supplies that are need for operations. As such, credit card purchases and the traditional purchase order-type purchases are distinctly different and require their own document trail.

- Our review of documentation used to support the purchases at Vendor No. 5 disclosed that: 1) \$1,574 was not supported by receipts; and 2) \$2,000 of receipts used to support these credit card purchases were also used to support a \$3,500 check drawn through accounts payable and sent directly to the vendor. Payments for credit card purchases are typically made to the bank.

Furthermore, management stated that these were food purchases for officers and security staff working School Board meeting details. However, only six (6) of the 15 purchases were made on School Board meeting dates. These purchases were also for unauthorized expenditures.

### **Improper Account Posting**

Except for the expenditures related to the international summit, staff posted all other purchases cited to a miscellaneous special revenue fund. According to management, this fund's main source of revenue is from traffic citations issued by the officers. Management also contends that the funds should be used for the benefit of the entire department and not just selected individuals. Our review of the state statute (§318.21 F.S.) governing the disposition of these funds suggest that the department's use of the funds might be non-conforming. Depending on where the citation was given, the funds should be used for training, school crossing guard training program, and other lawful purposes.

To management's credit, our review of the most recent reconciliations and internal controls over the purchasing credit card transactions disclosed that the number of credit card transactions has significantly decreased and greater controls have been exercised. However, there is room for improvement in the timely submittal of the Monthly Reconciliation Work Sheet and the advance approval of credit card purchases.

### **RECOMMENDATION**

- 1.1 Implement a more stringent process for reviewing and approving credit card transactions for payment.**

**Responsible Department: Miami-Dade Schools Police Department and Office of the Controller Cost and Business Services Section**



**Management Response:**

**Miami-Dade Schools Police Department** – Fully implemented; personnel have attended training in this area, and the review/approval process is now in compliance with the District's identified guidelines. There is now a full-time budget person identified as having the responsibility of addressing credit card transactions. A credit card log sheet has also been created to capture and reconcile all transactions. There are no longer multiple persons involved in the process, with the Chief of Police reviewing and approving all transactions. Lastly, the Department has established a sound working relationship with the Office of the Controller Cost and Business Section.

**Office of the Controller Cost and Business Services Section** – The Cost and Business Service section in the Office of the Controller consists of two staff members responsible for the District's Purchasing Credit Card Program (P-Card). P-Cards are issued to authorized personnel as approved by the work location administrator. Currently there are approximately 500 active cards.

As a result of budget reductions, staff responsible for monitoring purchases by the individual locations decreased from five to two. Currently, staff reconcile between 350-400 credit card reconciliations involving approximately 3,000 transactions per month for approximately \$1,200,000 per month. Additionally, staff responds to approximately 400 calls a month to assist treasurers/secretaries with the reconciliations, communicate with the Bank on denied charges, lost or stolen cards, etc.

The workload and the available resources make it impossible to scrutinize each transaction and only allows for spot checking.

- 1.2 **Review the Purchasing Credit Card Program Purchasing and Procedures Manual and ensure adherence to the Manual's policies and procedures, including, but not limited to, the purchase of only authorized expenditures, timely submittal of the reconciliation work sheet, limitation on the number of cards issued, and proper approval and support of transactions.**

**Responsible Department: Miami-Dade Schools Police Department**

**Management Response:** Fully implemented; Manual has been reviewed and a copy maintained at work location. All support staff have undergone training in this area, and will be scheduled for annual refresher training. The Reconciliation Work Sheets are now submitted in a timely manner, and have been error free since the 2008-09 school year. There is now just one credit card issued to the Chief of Police, as opposed to the multiple cards under the previous administration. All transactions have the proper approval and the authority once afforded to staff members, which was abused, has been removed.

- 1.3 Ensure work location Purchasing Credit Card administrator, cardholders and individuals responsible for the reconciliation and payment process attend training, including refresher training on the policies and procedures associated with the Purchasing Credit Card Program.**

**Responsible Department:** Miami-Dade Schools Police Department and Office of the Controller Cost and Business Services Section

**Management Response:**

**Miami-Dade Schools Police Department** – Fully implemented; The Department has provided training for all support staff in this area, and will continue to provide refresher training on an annual basis. The Chief of Police and Budget Coordinator have also attended the District’s Credit Card Training course.

**Office of the Controller Cost and Business Services Section** – It is the current practice to provide training to individual cardholders before they are issued a purchasing card. Additionally, staff participates in webinars for the Money Matters program, and on a monthly basis provides training at ITS to new cardholders, as well as to individuals responsible for the reconciliation process.

- 1.4 Explore the feasibility of programmatically voiding transactions involving unauthorized purchases at the point of sale.**

**Responsible Department:** Office of the Controller Cost and Business Services Section

**Management Response:**

**Office of the Controller Cost and Business Services Section** – A review of merchant codes available to the credit card users has been completed, and a revised list reducing the number of merchant codes available for use (i.e., supermarkets, department stores, etc.) was submitted to Bank of New York Mellon to incorporate in the District's profile.

**Miami-Dade Schools Police Department** – Responsible party is the Office of the Controller Cost and Business Services Section. There have not been any unauthorized purchases since the 2008-09 school year.

- 1.5 Prohibit District's departments/employees from obtaining store credit cards in the District's name. Employees who violate this prohibition should be properly disciplined.**

**Responsible Department: Office of the Controller Cost and Business Services Section**

**Management Response:**

**Office of the Controller Cost and Business Services Section** – Communication will be sent to all departments reminding them that the District has in place a Purchasing Credit Card Program designed to expedite the purchase of small dollar items needed for operations with minimum delay. Departments are prohibited from using the District's name and tax exempt status to apply for store credit cards.

**Miami-Dade Schools Police Department** – Responsible party is the Office of the Controller Cost and Business Services Section. The Department has terminated all store credit cards and has reduced the number of Department credit cards to one. There have been administrative directives issued governing business operations. Any employee found to be in violation of the District's policies will be subject to progressive discipline.

- 1.6 Consider recovering the value of unauthorized expenditures from employees who were responsible for executing those transactions.**

**Responsible Department: Miami-Dade Schools Police Department**

**Management Response:** Partially Implemented: While the Department has not yet sought to recover the value of unauthorized

expenditures from employees who were responsible for executing those transactions, it has worked closely with the Office of Management and Compliance Audits to identify those responsible for these transgressions. One example of this would be the recent detection of overpayment to a vendor for services said to have been provided. Safety Team Corp. is believed to have overcharged the District approximately \$28,000. This was initially discovered by the Department and further examined via the audit. It is anticipated that legal action will be required to recover any monies owed to the District. In the meantime, the Department withheld the final payment to the vendor due to the concerns expressed above. As it relates to the Department seeking restitution from current or former employees responsible for executing unauthorized expenditures, I would support the opening of an internal affairs investigation to determine if this would be possible. This would be a unique investigation which would require a joint effort between M-DSPD investigators and an auditor from the Office of Management and Compliance Audits due to the technical areas involved. A second option would be to present this information to the Office of the Inspector General (OIG).

## 2. EXTENSIVE IMPROPRIETY AND LACK OF INTERNAL CONTROLS EXIST OVER OTHER PURCHASES

To test the department's non-credit card purchases, we sampled 155 transactions posted to the general fund and a miscellaneous special revenue fund between August 2006 and March 2009. We were not able to determine if three (3) of the transactions sampled met any of our audit criteria, because documentation supporting these transactions was not presented for audit. According to current management, the prior administration completed these transactions and documents supporting the transactions are not available.

- Our review of the remaining 152 transactions disclosed that five (5) or 3% were for unallowable and questionable purchases, including two that are violations of School Board rule.
  - A \$5,280 payment to a hotel which included \$3,600 in food expenses for 30 people was incorrectly posted to the general fund. According to management, this payment was for strategic management and team building training. However, School Board Rule 3Gx13-3C-1.17 - *Payment for Goods and Services*, explicitly prohibits making food purchases from the general fund.
  - The department paid an awards company \$10,952 (\$5,476 each in November 2006 and October 2007). The invoices reviewed disclosed that the department purchased awards that exceeded the \$40 limit established by School Board Rule 6Gx13-3C-1.18 – *Expenditures for Awards and Incentives*. In addition, the department received only \$4,723 worth of awards; leaving a balance of \$6,229 on account with the vendor. When contacted, the vendor stated that the department does not have a \$6,229 credit, but "inventory" worth \$6,229, which the department needs to order. Management indicated that despite their effort, the vendor refused to refund the monies paid. In June 2009, the department ordered an additional \$1,360 in awards and indicated that they will continue to order awards every year until they have depleted the "inventory".
  - In addition to the \$4,867 credit card purchases made from Vendor No. 5 in the table on page 6, the department paid that vendor an additional \$5,036 for food for officers and security

staff working School Board meetings detail. The supporting documentation used for the latter transaction included \$1,571 in duplicate receipts that were also used to support transactions paid with the purchasing card on the February 2008 monthly credit card statement. Furthermore, our review disclosed that only eight (8) of 13 purchases were on School Board meeting dates. These purchases were posted to a miscellaneous special revenue fund that should benefit the entire department and not just selected staff.

- Forty-one (41) or 26% of the invoices or transactions reviewed appear to be mathematically incorrect, some resulting in overpayments.
  - Between December 2006 and March 2009, the District paid an outside vendor \$317,283 for metal detection services provided at district's schools, billed at hourly rates. The contract defines billable hours as *"...those spent on the random site selection process and team assignments (not to exceed one-half hour), travel time to each location (not to exceed forty-five minutes to each site), and time spent at the site performing the random search. Time spent on breaks and lunches will not be considered billable."* The vendor invoiced the District for continuous hours that ranged between 6:00 a.m. and 3:30 p.m., without deducting time for breaks or lunch. According to the president of the company providing the metal detection services, each member of his four-man search team is entitled to two 15-minute breaks and one half-hour lunch break. Moreover, in a number of cases, the detailed records indicated that the vendor conducted classroom searches at some senior high schools during time intervals that were after the student dismissal time for the schools. Consequently, it appears that the invoices were overstated for at least the time each employee spent on breaks and lunch, and post-dismissal searches.

The president of the company further stated that a "roving supervisor" is used to relieve each team member to allow him/her to take his/her breaks in order to maintain a search team of four employees at all times. He also stated that his company does not invoice M-DCPS for the cost associated with the "roving supervisor", but instead, pays for him out of his own pocket. We requested additional information from the vendor, but the information received was inadequate (i.e., duplicates of invoices

previously submitted). Subsequent to our initial request for additional information, we were able to locate records of the company's invoicing details from for the period August 21, 2008 to June 4, 2009 from the M-DCPS' police department. Our analysis of those records concluded that the company apparently over billed M-DCPS approximately \$28,280 during the period August 21, 2008 to June 4, 2009 for at least the time each employee spent on breaks and lunch. Because neither the company nor M-DCPS police department was able to provide detailed invoicing records for the services provided for the period prior to August 21, 2008, we were unable to determine if hours invoiced as of that date were correct.

- Our review of payments from August 2006 to September 2008 to another vendor disclosed that the vendor was overpaid a total of \$20,726. This occurred because payments for October 2006 and November 2006 were made in full, based on monthly statements containing prior month's balances, instead of individual invoices. Upon our request, the vendor indicated that the full overpayment was applied to the December 2006 and June 2007 invoices, which the District had not paid.
- In March 2008, the District overpaid the Miami-Dade County, which provided refueling services to M-DSPD, \$52,156. This occurred because payments for November 2007, December 2007 and January 2008 were made in full, based on monthly statements that contained prior month's balances, instead of individual invoices. The value of the services provided for all three months was \$16,017, but the County was paid \$109,942. To rectify the error, the County applied \$57,786 to outstanding invoices due from May 2007 to July 2007 and November 2007 to April 2008, and issued a refund check for \$52,156.

Management stated that refueling services through the County is now reduced to emergencies only and the account is now being reconciled on a monthly basis to avoid overpayments and excessive usage.

- The department created two internal requisitions, for in-house printing – one for \$5,000 in October 2006 and one for \$10,000 in September 2007. The District's Graphics and Materials Production Department's records showed that school police only



received \$7,298 of printing materials and services. The police department did not receive a credit for the \$7,702 remaining on the requisitions.

- Invoices for 12 (8%) of the 152 transactions reviewed were not posted to the correct accounting structure.
  - During Fiscal Years 2006-07 and 2007-08, the department paid from its general fund “other purchased services” account \$5,000 each year in sponsorships to a district foundation. The monies provided scholarships to graduating seniors participating in the foundation's program. According to the department of Budget Management, the posting is incorrect and the department currently does not have a funding structure set up for this type of transaction.
  - In two separate transactions, the department incorrectly purchased two computers valued over \$1,000 each, using the general fund supplies account. The purchases should have been made from the furniture, fixtures and equipment account. Because both purchases were incorrectly posted to the supplies account, the equipment tagging process was not automatically generated. Nevertheless, police staff indicated that both computers were tagged and located in the department’s administration office. However, we were only able to verify one of the two computers in question because records show that one of the computers was delivered to a school on April 9, 2007; but on June 25, 2007, the school reported that the computer was stolen on April 9, 2007 (the date of delivery). According to the police report, the investigating officer was unable to determine who stole the computer.
- The invoices for 20 (13%) of the 152 transactions reviewed did not contain an acknowledgement of receipt of goods. In addition to evidencing a written acknowledgement of receipt of goods, we attempted to verify that the goods and/or services purchased were actually received for 73 purchases. We could not verify that goods or services purchased were fully received for 44 (60%) of the purchases tested.
  - In FY’s 2007 and 2008, the department awarded two professional services contracts of \$25,000 each to a vendor to assist the department in obtaining professional accreditation. In issuing

these contracts, the police department did solicit written quotations from four different vendors and presented the contracts to the District's Professional Services Contract Committee, as required<sup>1</sup>. However, we noted that both contracts had a single common purpose, which was to provide the services required for the police department to obtain professional accreditation. The term of the second contract began only 19 days after the end of the first contract. Moreover, if the contracts were combined, their combine value - \$50,000 would have necessitated that the services go through the bid process and thereafter, awarded by the School Board.

As of the end of our fieldwork, the department had paid the vendor a total of \$45,000 or 90% of the contracts' value, but had not received accreditation from the State of Florida.

Further, the first contract required an operations manual to be delivered to and accepted by the department. However, both the department and the vendor only provided us a binder containing 48 Standard Operating Procedures (SOP), of which only 21 the former Chief of Police signed off. Management indicated that the remainders were not finalized.

The second contract's scope of work required the vendor to complete six tasks. Both the department's staff and the vendor stated that only one of the six tasks was completed. The task that the vendor reported as completed entailed compiling accreditation files for the department. However, we observed that the files were empty despite the vendor's claim of having delivered the contract-required information to the department. The department staff, on the other hand, claimed that they never received the contract-required information. The department's current administration added that services provided by the consultant were insufficient to receive accreditation from the State of Florida.

- During the audit, we noted a pattern of the department initiating various programs/initiatives only to abandon them before their conclusion. An example of this pattern included the department

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<sup>1</sup> Professional service contracts up to \$25,000 need only quotation and approval from the Professional Services Contract Committee. Contract greater than \$25,000 require bids and School Board approval.

paying \$9,400 (partial payment on an \$18,800 contract), in September 2006, for books to be used in an anti-bullying program at district's schools. However, according to staff, the Special Project unit created to carryout the program was disbanded shortly after receiving the books and the program was not effectively implemented.

- In November 2006, the department paid \$5,999.99 to host a Student Safety Summit luncheon at a local hotel. According to the invoice, the hotel served lunches for 300 attendees at \$20 per person. However, based on our inquiry and examination of supporting documents, we could only account for 165 attendees. Staff who participated in the summit stated that they do not recall many students attending the summit. They also indicated that a significant amount of food was left over and donated to a homeless center.

It is evident that this purchase was purposely established at a value that is right under the \$6,000 threshold, which would have required the department to obtain three quotes and approval from the Procurement Department. The management responsible for this transaction obviously circumvented internal controls.

- We reviewed five (5) invoices from February 2007 through June 2007 for cars rented on a monthly basis. Except for the June 2007 invoice, all invoices were for four (4) cars. Staff was able to provide evidence to support the usage of the four cars. However, the June 2007 invoice included a fifth car, which the department was not able to provide documentation supporting the purpose for renting the fifth car.
- Our sample contained nine (9) transactions involving equipment purchases. Three or 33% of those equipments were not tagged as required in the Manual of Property Control Procedures. Included were two printers costing \$20,000 each. Management stated that the printers and software were purchased to make ID badges for all district employees. However, because funds were not available for supplies, the printers were not used and the project was placed on hold. Both printers were stored in a supply room at the District's Fingerprinting Office and were tagged, for property control purposes, at our request.

- In addition, the department purchased 12 firearms, each costing more than \$1,000. Upon examination, we found that the District had not tagged these weapons as property controlled. We acknowledge that the level of physical control and security the department exercises over these weapons are extensive. Nevertheless, district policy requires that tangible assets valued \$1,000 or greater must be property controlled and accounted for in the District's property accounting system. At our request, the department subsequently tagged the weapons, for property control purposes.

All of the discrepancies noted heretofore indicate that the department's internal controls during FY's 2007 and 2008 had significant weaknesses. In addition, the department lacked segregation of duties in that several staff members had access to both create and approve requisitions, and to receive goods online. During FY 2009, these controls were reviewed and access to the incompatible functions have been revoked and granted on a need basis only.

## **RECOMMENDATIONS**

- 2.1 Enhance internal controls over purchases by 1) adhering to School Board Rules; 2) keeping proper supporting documentation; 3) reviewing invoices for accuracy; 3) ensuring payments are only completed when goods or actual services are received; 4) ensuring payments are made only based on accurate invoices and not statements; 5) posting transactions to the correct account structure; and 6) tagging equipment when it is over the District's set threshold.**

**Responsible Department: Miami-Dade Schools Police Department**

**Management Response:** Fully implemented; 1) yes; 2) all supporting documentation is maintained on file; 3) invoices are reviewed-no errors reported under new administration 4) complete adherence; previously, the Department had committed several violations of this policy. In one instance, an employee was found to be in possession of nearly \$80,000 in District checks at his residence pending the delivery of goods; 5) all payments are based on verified invoices. This was part of the MSAF revamping exercise whereby the excessive levels of access, including ordering and receipting of goods, allowed payments to be processed prior to verification. This is no longer the practice and all goods are centrally delivered to one location; 6) previously, the Department would post transactions to various account types, in most cases utilizing monies from specific accounts on purchases not permissible under the account type. This practice has been circumvented through a number of measures

including the budget planning phase where the Department's budget was truly developed based upon projections and input from the Chief of Police; the improved relationship between the Department and select District business offices which allows for consultation prior to engaging in transactions; and the improved business management directly overseen by the Office of the Chief of Police; 7) during the audit process, it was determined that the Department had purchased goods requiring tagging with a property control number based upon the cost threshold. These items were immediately tagged at the request of the auditor.

**2.2 Ensure staff in charge of conducting MSAF Budget Finance Purchasing System purchases is trained and familiarized with the MSAF Budget Finance Purchasing manual.**

**Responsible Department: Miami-Dade Schools Police Department**

**Management Response:** Fully Implemented; All support staff have attended MSAF training. The levels of MSAF access was identified as one of the chief culprits for the Department's financial woes. There were an excessive number of employees with various levels of MSAF access, at multiple work locations. An internal audit of MSAF access was conducted, with periodical inspections. Access has since been significantly restricted to select personnel.



# MANAGEMENT'S RESPONSES





## MANAGEMENT'S RESPONSE – Miami-Dade Schools Police Department

### MEMORANDUM

CJH/2009-10#183  
October 29, 2009  
CJH/305-757-7708

TO: Mr. Trevor L. Williams, Assistant Chief Auditor  
Operational and Performance Audits

FROM: Charles J. Hurley, Interim Chief  
Miami-Dade Schools Police Department



SUBJECT: **FOLLOW-UP AND RESPONSE REGARDING AUDIT OF MIAMI-DADE  
SCHOOLS POLICE DEPARTMENT'S PROCUREMENT CARD AND  
OTHER PURCHASES**

Pursuant to the audit of the Miami-Dade Schools Police Department's (M-DSPD) procurement card and other purchases, I have provided the following response to the findings:

#### Finding and Recommendations:

1. **INTERNAL CONTROLS OVER THE DEPARTMENT'S PURCHASING CREDIT CARD TRANSACTIONS WERE NONEXISTENT**
  - (1.1 Fully Implemented)
  - (1.2 Fully Implemented)
  - (1.3 Fully implemented)
  - (1.4 Responsible Party is Office of the Controller Cost and Business Services Section-Department will cooperate fully)
  - (1.5 Responsible Party is Office of the Controller Cost and Business Services Section-Department has taken immediate action)
  - (1.6 Partially Implemented)

The audit team reviewed a sampling of 69 Monthly Reconciliation Work Sheets prepared between July 2006, and January 2009. The results were alarming, yet expected, as the agency previously demonstrated a lack of institutional control.

- **Sixty-two (62) or 90% of the Reconciliation Work Sheets were not submitted in a timely manner as required by the District's Purchasing Credit Card Program Purchasing and Procedures Manual. Delays ranged between 30 and 106 days, and many were not submitted at all.**

There was clearly a lack of follow-up on business operations in terms of submitting the appropriate documentation in a timely manner, thus resulting in extremely delinquent payments to vendors. The relationship between the Department and the District's financial, business and procurement offices was virtually nonexistent, mainly in part to the lack of financial oversight by the Department.

Miami-Dade Schools Police Department, Office of the Chief  
October 29, 2009

Follow-up and Response Regarding Audit of Miami-Dade Schools Police Department's  
Procurement Card and Other Purchases

This process has been significantly improved by the assignment of a permanent clerical person to work specifically on the Department's budget and financial operations, including overtime, procurement and other related areas. This individual received training from the Budget Office and reports directly to the Chief of Police. As a result, Reconciliation Work Sheets have been accurately submitted within the prescribed timeline since the 2008-09 school year.

- **Eighteen (18) or 26% of the Reconciliation Work Sheets contained mathematical errors and required corrections by staff from the Office of the Controller Cost and Services Business Section.**

The issue of Reconciliation Work Sheets containing mathematical errors further exasperated an already unfortunate situation. The Reconciliation Work Sheets are now verified and double-checked within the Administrative Division, and reviewed prior to submitting. There have not been any mathematical errors reported since the 2008-09 school year.

- **All 69 of the Reconciliation Work Sheets contained transactions that the Department administrator did not approve in advance.**

Clearly, this is one of the most compelling pieces of evidence to support the financial disorder and lack of economic oversight within the agency. All transactions now have advanced approval from the Chief of Police.

- **The 69 Reconciliation Work Sheets contained 452 transactions. The required original receipt supporting the expenditure for 78 transactions was not presented for audit. In addition, an authorization form was not presented for audit for 21 of these transactions.**

To begin with, there were an excessive number of transactions conducted by the Department, which suggests a lack of planning in terms of purchasing. There was also an alarming number of required support documentation that was missing with regard to the questionable expenditures. It appears the Department's previous Administrative Division utilized a standard memorandum indicating the support documentation had been lost in an attempt to conceal these purchases.

During the entire 2008-09 school year, there were only 20 credit card transactions conducted; nearly 150 fewer transactions than the previous year. All required support documentation is submitted with the Reconciliation Work Sheets.

- **Seventy-three (73) or 16% of the expenditures are prohibited by the Manual.**

Follow-up and Response Regarding Audit of Miami-Dade Schools Police Department's  
Procurement Card and Other Purchases

The Manual is very clear on how expenditures may be conducted. It was determined that members from the command staff clearly violated these guidelines and made concessions claiming law enforcement was exempt from the policies. All expenditures are conducted in accordance with the District's policies. The Chief of Police and staff have attended the appropriate training regarding this matter.

- **Eight (8) purchases were split into smaller values to circumvent the \$1,000 per transaction threshold established by the Manual.**

This issue is self-explanatory and clearly illustrates how Department personnel intentionally manipulated the District's identified transaction spending threshold. Had there been the slightest quality assurance measures in place and oversight, this breach would have been identified and would not have become a recurring problem. Instead, there were numerous credit cards issued to personnel and too many individuals with purchasing/budgetary autonomy, leaving virtually no control mechanisms in place to deter these practices. Sadly, senior staff directly participated in these transactions.

All transactions are conducted in accordance with the prescribed guidelines, and there is now just one credit card within the Department.

**Table of Sampling of Exceptions by Category for Nineteen Vendors**

The chart found on page 6 in the report from the Office of Management and Compliance Audits cites a number of purchases described as "excessive, unnecessary, and in some cases intentionally structured to circumvent existing policies, School Board Rules and internal controls."

These purchases ranged from food, refreshments, coffee, decorative letterhead, greeting cards, travel, cocktail receptions and a host of other unauthorized transactions. The Department spent tens of thousands of dollars on catered food for Department personnel. This practice was customary for command staff and one particular unit within the Department. Additionally, there was an excessive amount of traveling taking place, whereby a select group of personnel would travel on a routine basis, with no benefit to the overall Department. Apparently, one trip involved an International Convention to Toronto, Canada where payment included meals and a cocktail reception. Another questionable purchase involved greeting cards in which the District paid the invoice nearly one year late after a demand letter was issued by the vendor's attorney.

Since the 2008-09 school year, there have been no purchases made which would represent a violation of the District's established guidelines. There has been virtually no travel, other than that which is fully funded by an outside entity such as the United States Secret Service. Lastly, there is only one Department credit card, and no store credit cards.

The practice of purchasing food for M-DSPD personnel is no longer in place. There was an unusually high number of transactions made at local restaurants, thus raising the concern of how much impropriety in fact occurred.

**(1.1) Implement a more stringent process for reviewing and approving credit card transactions for payment:** Fully implemented; personnel have attended training in this area, and the review/approval process is now in compliance with the District's identified guidelines. There is now a full-time budget person identified as having the responsibility of addressing credit card transactions. A credit card log sheet has also been created to capture and reconcile all transactions. There are no longer multiple persons involved in the process, with the Chief of Police reviewing and approving all transactions. Lastly, the Department has established a sound working relationship with the Office of the Controller Cost and Business Section.

**(1.2) Review the Purchasing Credit Card Program Purchasing and Procedures Manual and ensure adherence to the Manual's policies and procedures, including, but not limited to, the purchase of only authorized expenditures, timely submittal of the Reconciliation Work Sheet, limitation on the number of cards issued and support of transactions:** Fully implemented; Manual has been reviewed and a copy maintained at work location. All support staff have undergone training in this area, and will be scheduled for annual refresher training. The Reconciliation Work Sheets are now submitted in a timely manner, and have been error free since the 2008-09 school year. There is now just one credit card issued to the Chief of Police, as opposed to the multiple cards under the previous administration. All transactions have the proper approval and the authority once afforded to staff members, which was abused, has been removed.

**(1.3) Ensure work location Purchasing Credit Card administrator, cardholders and individuals responsible for the reconciliation and payment process attend training, including refresher training on the policies and procedures associated with the Purchasing Credit Card Program:** Fully implemented; The Department has provided training for all support staff in this area, and will continue to provide refresher training on an annual basis. The Chief of Police and Budget Coordinator have also attended the District's Credit Card Training course.

**(1.4) Explore the feasibility of programmatically voiding transactions involving unauthorized purchases:** Responsible party is the Office of the Controller Cost and Business Services Section. There have not been any unauthorized purchases since the 2008-09 school year.

**(1.5) Prohibit District's departments/employees from obtaining store credit cards in the District's name. Employees who violate this prohibition should be properly disciplined:** Responsible party is the Office of the Controller Cost and Business Services Section. The Department has terminated all store credit cards and has reduced the number of Department credit cards to one. There have been administrative directives issued governing business operations. Any employee found to be in violation of the District's policies will be subject to progressive discipline.

October 29, 2009

Follow-up and Response Regarding Audit of Miami-Dade Schools Police Department's Procurement Card and Other Purchases

**(1.6) Consider recovering the value of unauthorized expenditures from employees who were responsible for executing those transactions:** Partially Implemented: While the Department has not yet sought to recover the value of unauthorized expenditures from employees who were responsible for executing those transactions, it has worked closely with the Office of Management and Compliance Audits to identify those responsible for these transgressions.

One example of this would be the recent detection of overpayment to a vendor for services said to have been provided. Safety Team Corp. is believed to have overcharged the District approximately \$28,000. This was initially discovered by the Department and further examined via the audit. It is anticipated that legal action will be required to recover any monies owed to the District. In the meantime, the Department withheld the final payment to the vendor due to the concerns expressed above.

As it relates to the Department seeking restitution from current or former employees responsible for executing unauthorized expenditures, I would support the opening of an internal affairs investigation to determine if this would be possible. This would be a unique investigation which would require a joint effort between M-DSPD investigators and an auditor from the Office of Management and Compliance Audits due to the technical areas involved. A second option would be to present this information to the Office of the Inspector General (OIG).

## **2. EXTENSIVE IMPROPRIETY AND LACK OF INTERNAL CONTROLS EXIST OVER OTHER PURCHASES**

**(2.1) Fully Implemented**

**(2.2) Fully Implemented**

The auditors tested the Department's non-credit card purchases, and the findings were equally as alarming. Virtually no supporting documentation was available for review. These transactions also involved significant costs, violations and financial waste.

There were expenditures in excess of \$5,000 in food purchases made against the general fund; a violation of School Board Rule. This was a common practice within the agency. The Department also paid nearly \$11,000 to an awards company, yet never took receipt of the goods. Instead, the agency created a "store credit," yet gave the wrong impression about receiving the full amount in deliverables.

Additional food purchases were made in excess of \$5,000 to feed police officers and security personnel working at Board Meetings and attending weekly departmental meetings. More alarming is the discovery of duplicate receipts used to support the transactions and the discrepancy in Board Meeting dates compared to the dates of the transactions.

Miami-Dade Schools Police Department, Office of the Chief

October 29, 2009

Follow-up and Response Regarding Audit of Miami-Dade Schools Police Department's Procurement Card and Other Purchases

There were also several "big ticket" items involving financial miscues. A contract with a vendor to provide metal detection services appears to have escalated beyond \$500,000, and involved a significant amount of overpayments among other concerns.

Fuel consumption has always served as a problematic area for the Department. The police department has a fuel budget funded by the District. In past years, the Department exercised a poorly managed practice of using fuel at Miami-Dade County fuel facilities. With the number of District fuel stations throughout the county, there was no reason, other than convenience, to use the more expensive county fuel in lieu of school district fuel.

The audit discovered one instance of overpayment in excess of \$100,000. While most of this overpayment was recovered, one has to ask how long and to what extent of waste did this arise. Immediately upon assuming command of the agency, M-DSPD personnel were prohibited from fueling up at non-district locations. A small contingency of county fuel is maintained for emergencies, hurricane season and other pre-approved operations.

Another reason for the unfortunate issue of fuel usage and mismanagement was the previous administrations delinquent payment habits, which would allow county fuel bills to go unpaid for upwards of six months. These debts would grow to insurmountable amounts. Once one of the largest liabilities to the Department, fuel is now being managed properly and the county fuel usage is under \$200 per month.

There were also several transactions between the Department and other District entities such as Graphics and Material Production Department where the Department made overpayments in excess of \$7,000. An additional internal payment was also made in the amount of \$5,000 from the general fund to cover scholarships. This transaction is one of the more intriguing, as no one can account for such a funding structure.

The findings also cite the purchase of two computers at a price of \$1,000 each. One was located and the other reported as stolen after it was delivered to a school and according to the police report, "picked up by a senior ranking police official."

Quite possibly one of the most disturbing transactions was the failed attempt by the Department to attain accreditation status. This was a costly endeavor that netted a total expenditure of nearly \$50,000, yet did not yield the anticipated return on investment. In fact, the OIG made an inquiry to the Department regarding this matter, but to date has not issued a report.

Other projects with hefty price tags include the creation of an anti-bullying curriculum which never fully developed (\$18,000) and the Student Safety Summit (\$5,999), described in the audit report as having been purposely established at that value to avoid the \$6,000 threshold, which would have required three quotes and approval from the Procurement Department.



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Follow-up and Response Regarding Audit of Miami-Dade Schools Police Department's Procurement Card and Other Purchases

Lastly, the Department spent generously on five rental cars, yet was unable to account for one of the vehicles. Several theories chronicled where the car was used, ranging from detectives to the former Assistant Chief. The Department currently has one sworn employee utilizing a rental vehicle, which is fully funded via the Miami-Dade State Attorney's Office for our participation in the Gang Strike Force to reduce gang violence within the community and schools.

**(2.1) Enhance internal controls over purchases by 1) adhering to School Board Rules; 2) keeping proper supporting documentation; 3) reviewing invoices for accuracy; 4) ensuring payments are only completed when goods or actual services are received; 5) ensuring payments are made only based on accurate invoices and not statements; 6) posting transactions to the correct account structure; 7) tagging equipment when it is over the District's set threshold:** Fully implemented; 1) yes; 2) all supporting documentation is maintained on file; 3) invoices are reviewed-no errors reported under new administration 4) complete adherence; previously, the Department had committed several violations of this policy. In one instance, an employee was found to be in possession of nearly \$80,000 in District checks at his residence pending the delivery of goods; 5) all payments are based on verified invoices. This was part of the MSAF revamping exercise whereby the excessive levels of access, including ordering and receipting of goods, allowed payments to be processed prior to verification. This is no longer the practice and all goods are centrally delivered to one location; 6) previously, the Department would post transactions to various account types, in most cases utilizing monies from specific accounts on purchases not permissible under the account type. This practice has been circumvented through a number of measures including the budget planning phase where the Department's budget was truly developed based upon projections and input from the Chief of Police; the improved relationship between the Department and select District business offices which allows for consultation prior to engaging in transactions; and the improved business management directly overseen by the Office of the Chief of Police; 7) during the audit process, it was determined that the Department had purchased goods requiring tagging with a property control number based upon the cost threshold. These items were immediately tagged at the request of the auditor.

**(2.2) Ensure staff in charge of conducting MSAF Budget Finance Purchasing System purchases is trained and familiarized with the MSAF Budget Finance Purchasing manual:** Fully Implemented; All support staff have attended MSAF training. The levels of MSAF access was identified as one of the chief culprits for the Department's financial woes. There were an excessive number of employees with various levels of MSAF access, at multiple work locations. An internal audit of MSAF access was conducted, with periodical inspections. Access has since been significantly restricted to select personnel.

Miami-Dade Schools Police Department, Office of the Chief  
October 29, 2009  
Follow-up and Response Regarding Audit of Miami-Dade Schools Police Department's  
Procurement Card and Other Purchases

The most recent audit process has been an extremely valuable instrument for the Department. The rigors of this examination have allowed M-DSPD to address the many system and staff deficiencies within the agency. Immediately upon assuming command of the agency, I initiated a request for this audit based on the fiscal conditions I observed during my previous assignment. I am confident this audit will identify additional corrective actions that will need to be taken in order to improve fiscal responsibility and accountability.

Should you require any additional information, please contact me directly at 305-757-7708.

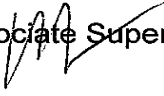
CJH/

**MANAGEMENT'S RESPONSE – Office of the Controller Cost and Business Services Section**

**M E M O R A N D U M**

**RHH:55  
November 16, 2009  
305-995-1225**

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

**FROM:** Richard H. Hinds, Associate Superintendent and Chief Financial Officer  
Financial Services 

**BY:** Connie Pou, Controller  
Office of the Controller, Cost and Business Services Section

**SUBJECT: RESPONSE TO THE INTERNAL AUDIT – MIAMI-DADE SCHOOLS  
POLICE DEPARTMENT PROCUREMENT CARD AND OTHER  
PURCHASES**

Attached is a response to the above mentioned audit report.

Should you have any questions or need clarifications, please do not hesitate to contact me at 305-995-1225, or Ms. Connie Pou, Controller, Office of the Controller, at 305-995-2001.

RHH:as

Attachment

cc: Ms. Connie Pou

**Observation #1: INTERNAL CONTROLS OVER THE DEPARTMENT'S PURCHASING CREDIT CARD TRANSACTIONS WERE NONEXISTENT**

- 1.1 *Implement a more stringent process for reviewing and approving credit card transactions for payment.*

The Cost and Business Service section in the Office of the Controller consists of two staff members responsible for the District's Purchasing Credit Card Program (P-Card). P-Cards are issued to authorized personnel as approved by the work location administrator. Currently there are approximately 500 active cards.

As a result of budget reductions, staff responsible for monitoring purchases by the individual locations decreased from five to two. Currently, staff reconcile between 350-400 credit card reconciliations involving approximately 3,000 transactions per month for approximately \$1,200,000 per month. Additionally, staff responds to approximately 400 calls a month to assist treasurers/secretaries with the reconciliations, communicate with the Bank on denied charges, lost or stolen cards, etc.

The workload and the available resources make it impossible to scrutinize each transaction and only allows for spot checking.

- 1.3 *Ensure work location Purchasing Credit Card administrator, cardholders and individuals responsible for the reconciliation and payment process attend training, including refresher training on the policies and procedures associated with the Purchasing Credit Card Program.*

It is the current practice to provide training to individual cardholders before they are issued a purchasing card. Additionally, staff participates in webinars for the Money Matters program, and on a monthly basis provides training at ITS to new cardholders, as well as to individuals responsible for the reconciliation process.

- 1.4 *Explore the feasibility of programmatically voiding transactions involving unauthorized purchases at the point of sale.*

A review of merchant codes available to the credit card users has been completed, and a revised list reducing the number of merchant codes available for use (i.e., supermarkets, department stores, etc.) was submitted to Bank of New York Mellon to incorporate in the District's profile.

- 1.5 *Prohibit District's departments/employees from obtaining store credit cards in the District's name. Employees who violate this prohibition should be properly disciplined.*

Communication will be sent to all departments reminding them that the District has in place a Purchasing Credit Card Program designed to expedite the purchase of small dollar items needed for operations with minimum delay. Departments are prohibited from using the District's name and tax exempt status to apply for store credit cards.

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

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

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

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

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

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

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

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

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

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

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

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

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

*Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.*



***MIAMI-DADE COUNTY PUBLIC SCHOOLS  
Office of Management and Compliance Audits***

***1450 N. E. 2<sup>nd</sup> Avenue, Room 415***

***Miami, Florida 33132***

***Tel: (305) 995-1318 ♦ Fax: (305) 995-1331***

***<http://mca.dadeschools.net>***

***Miami-Dade Schools Police Department Procurement Card  
And Other Purchases***