

Miami-Dade County Public Schools



Internal Audit Report Audit of Inventories as of June 30, 2022



The value of the inventories reported in the District's unaudited Annual Financial Report as of June 30, 2022, is fairly stated, in all material respects. In addition, our observations of physical inventory counts resulted in no significant adjustment to the inventory records.

DECEMBER 2022

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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Dr. Lubby Navarro, Vice Chair
Mr. Roberto J. Alonso
Ms. Lucia Baez-Geller
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Superintendent of Schools

Dr. Jose L. Dotres

Office of Management and Compliance Audits

Mr. Jon Goodman, CPA, CFE
Chief Auditor

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Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools

Dr. Jose L. Dotres

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November 23, 2022

The Honorable Chair and Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee
Dr. Jose L. Dotres, Superintendent of Schools

Ladies and Gentlemen:

In accordance with the 2022-2023 Fiscal Year Audit Plan, we have audited the inventory balances as reported in the unaudited Annual Financial Report for the fiscal year ended June 30, 2022, for the following departments/units of Miami-Dade County Public Schools (M-DCPS):

- Food and Nutrition
- Stores and Mail Distribution
- Textbook Support Services
- Maintenance Materials Management
- Department of Transportation

The inventory information appearing in the unaudited Annual Financial Report is the responsibility of management. Our responsibility is to express an opinion on the inventory balances based on our audit.

Our audit consisted of observing the physical inventory counts, testing the counts, and verification of prices. In addition, we compared the physical inventory results to the perpetual inventory records, to the general ledger, and to the amounts reported in the unaudited Annual Financial Report. In our opinion, the inventories were fairly stated, in all material respects, in the unaudited Annual Financial Report.

We would like to thank management for the cooperation and courtesies extended to our staff during this audit.

Sincerely,

Jon Goodman, CPA, CFE

Chief Auditor

Office of Management and Compliance Audits

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EXECUTIVE SUMMARY

Every year, we perform an audit of inventories held at the five organizational units that maintain equipment, fuel, materials, parts, supplies, food, and textbook inventories. Our audit supplements the work of the external auditors in their audit of the District's financial statements and is part of our 2022-2023 Fiscal Year End Audit Plan.

The purpose of our audit is to determine the accuracy of the inventory balances reported in the District's unaudited Annual Financial Report and to assess internal controls over the inventory counting and reconciling processes.

Total year-end inventories decreased 2 percent from \$14.44 million at June 30, 2021, to \$14.15 million at June 30, 2022. The change in total inventories is primarily due to the bulk of the textbooks received subsequent to the fiscal year end 2021-2022.

We concluded that the inventory balance of \$14,154,224 reported in the unaudited Annual Financial Report as of June 30, 2022, was fairly stated, in all material respects. There was no material adjustment to the inventories resulting from our physical counts.

INTERNAL CONTROLS

Our overall evaluation of internal controls over the District's equipment, fuel, materials, parts, supplies, food, and textbook inventories management practices is summarized in the table below. The following index is provided to assist with the analysis of the table.

F = Department of Food and Nutrition
 S = Stores and Mail Distribution
 B = Textbook Support Services
 M = Maintenance Materials Management
 T = Department of Transportation

INTERNAL CONTROLS RATING			
CRITERIA	SATISFACTORY	NEEDS IMPROVEMENT	INADEQUATE
Process Controls	F, S, B, M, T		
Policy & Procedures Compliance	F, S, B, M, T		
Effect	F, S, B, M, T		
Information Risk	F, S, B, M, T		
External Risk	F, S, B, M, T		

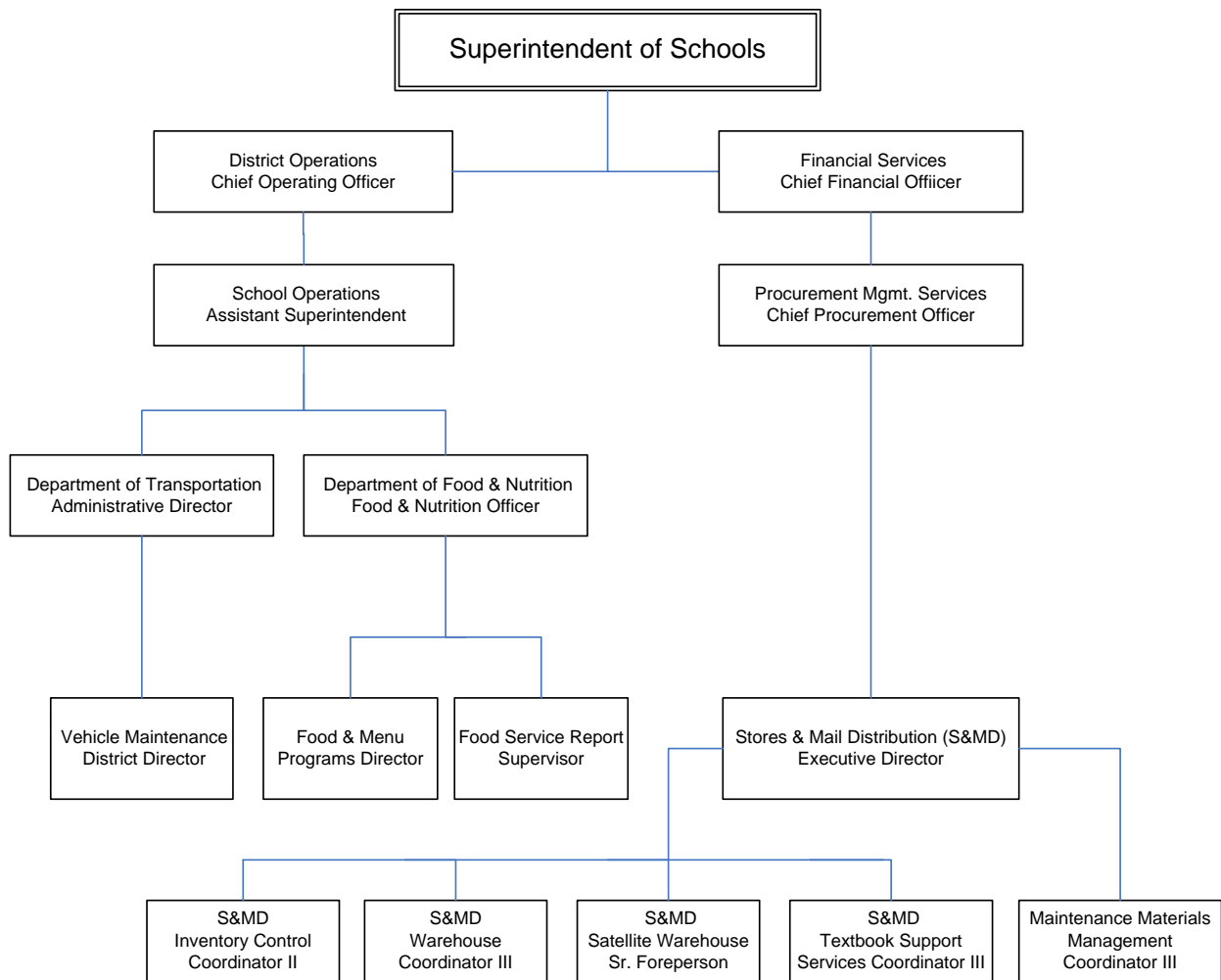
INTERNAL CONTROLS LEGEND			
CRITERIA	SATISFACTORY	NEEDS IMPROVEMENT	INADEQUATE
Process Controls	Effective	Opportunities exist to improve effectiveness	Do not exist or are not reliable
Policy & Procedures Compliance	In compliance	Non-Compliance issues exist	Non-Compliance issues are pervasive, significant,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

BACKGROUND

Miami-Dade County Public Schools maintains equipment, fuel, materials, parts, supplies, food, and textbook inventories in order to facilitate its ability to educate its students. The food inventory is accounted for in the Food Service Fund, a Special Revenue Fund; whereas all other inventories are accounted for in the General Fund.

The overall responsibility for the inventories is assigned to the Offices of School Operations and Financial Services. Refer to the partial organizational chart below:

PARTIAL ORGANIZATIONAL CHART



Department of Food and Nutrition

The Department of Food and Nutrition (F&N) has the responsibility of providing food services for students at all District managed schools, with the exception of those food service programs operating at the adult/vocational education centers and technical colleges. These services include, but are not limited to, maintaining various inventories of federally donated and District purchased foods and supplies, and preparing a District wide food service program budget.

Bulk, frozen and dry commodity, canned goods, and refrigerated foods are stored at U.S. Foods, Inc., the vendor providing contracted delivery and storage services. Non-food supplies are stored at the Stores and Mail Distribution (S&MD) warehouse. Processed and purchased foods are also stored at the schools. F&N maintains manual and computerized inventory records. Commodities stored in bulk are recorded through an automated perpetual inventory system maintained by U.S. Foods, Inc. Both F&N records and U.S. Foods, Inc., records are reconciled monthly. Approximately 33% of the inventory as of June 30, 2022, is commodity foods donated by the Federal government, while the remaining 67% is food and supplies purchased by the District.

Donated commodities are recorded in inventory at their fair market value at the time of donation from the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution, the pass-through agency for federally-donated commodity foods. The inventory is valued using the weighted average cost method.

During the 2021-2022 fiscal year, the Director, Food & Menu Programs was in charge of the inventory counting and ordering process for food items, and the Supervisor, Food Service Report was in charge of the reconciliation process for USDA Commodities received. The department's administrative offices are located at 7042 West Flagler Street, Miami, Florida.

Stores and Mail Distribution

S&MD is responsible for maintaining and supplying office and teaching supplies, equipment, furniture and printed forms used by the school system. The inventory is valued using the weighted average cost method.

A satellite warehouse is maintained to temporarily store large purchases of new equipment and furniture that are used to furnish newly constructed and renovated schools. In addition, it temporarily houses used surplus equipment

pending sale at public auction. Equipment and furniture stored at the satellite location are not included in the year-end inventory.

In addition, S&MD operates the mail service for the school system and maintains a fleet of 22 trucks and vans that are used to deliver supplies to various school sites and District locations.

During the 2021-2022 fiscal year, the Inventory Control Coordinator II was in charge of the inventory counting process. The main warehouse and mail service are located at 7001 S.W. 4th Street, Miami, Florida, while the satellite warehouse is located at 12525 N.W. 28th Avenue, Miami, Florida.

Textbook Support Services

As part of S&MD, Textbook Support Services coordinates with District schools to purchase the State of Florida Adopted textbooks and other instructional materials from the Florida School Book Depository (FSBD) and monitors the textbook activity generated by requisitions from schools. The FSBD is the principal source from which schools requisition State-adopted textbooks and other instructional materials. Schools make their individual orders on-line, the textbooks orders are grouped together and a composite order is electronically transmitted to FSBD. S&MD is responsible for receiving and delivering the textbooks and instructional materials to the schools. Textbook Support Services operates in work areas within the S&MD main warehouse.

A perpetual inventory is not maintained for textbooks. The majority of textbooks for schools are ordered in advance during the last months of the preceding fiscal year. The books are received in S&MD during May and June and are distributed to schools but remain unused until the school year begins in August. A Textbook Support Services Coordinator III was in charge of the inventory counting process.

Maintenance Materials Management

Maintenance Materials Management (MMM) is responsible for supplying Facilities Operations - Maintenance with materials, parts, and equipment for routine maintenance and improvements to the school system's facilities. As of June 30, 2022, there was one location storing all inventory items, the Central Warehouse. However, the second warehouse at the Coral Reef Maintenance complex, which was sometimes used to store inventory for emergency purposes, was officially closed on January 2022. All inventory items were physically transferred to MMM's central warehouse. The inventory is valued using the weighted average cost method.

MMM maintains a fleet of 21 vehicles, comprised of 19 vehicles used to deliver supplies, parts, and equipment to Maintenance satellite locations and schools to support Zone Mechanics, and 2 Forklifts located in the Central Warehouse.

During the 2021-2022 fiscal year, the MMM Coordinator III was in charge of the inventory counting process. The Central Warehouse is located at 12525 NW 28th Avenue, Miami, Florida. The second closed warehouse at the Coral Reef Maintenance complex is located at 15301 SW 117th Avenue, Miami, Florida.

Department of Transportation

The M-DCPS Department of Transportation (DOT) operates a fleet of 998 school buses from seven terminals to transport the students of M-DCPS. Also, 1,773 other vehicles from DOT, S&MD, F&N, MMM, Maintenance, Information Technology Services (ITS), School Police, and various other District offices are serviced at these terminals. Monthly safety inspections are also performed on 257 additional private school buses that are contracted by the District for student transportation to and from schools and/or activity trips.

To service the buses, trucks, and other vehicles, inventories of fuel are maintained at six DOT terminals.

Additionally, inventories of oil, replacement parts, and tires are maintained at these seven terminals. Approximately 60% of replacement parts, including tires, are stored at the Central Warehouse. The inventories are valued using the weighted average cost method.

During the 2021-2022 fiscal year, the District Director of Vehicle Maintenance was in charge of the inventory counting process. The Central Warehouse is located at 11601 S.W. 160th Street, Miami, Florida.

OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the 2022-2023 Fiscal Year End Audit Plan for the Office of Management and Compliance Audits, we have audited the inventory balances as reported in the unaudited Annual Financial Report issued by the Office of the Controller for the fiscal year ended June 30, 2022, and the related accounting records, for the purpose of determining the inventory values of the following departments/units:

- Department of Food and Nutrition
- Stores and Mail Distribution
- Textbook Support Services
- Maintenance Materials Management
- Department of Transportation

The audit procedures included observing the inventory-taking process by the administration at year-end and comparing the results with the amounts reported in the unaudited Annual Financial Report. The inventories and related records are the responsibility of the Administration. Our responsibility is to express an opinion on the annual inventory results at year-end.

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. This audit includes examining, on a test basis, evidence supporting the amounts reported as inventory in the unaudited Annual Financial Report. This audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall inventory presentation. In addition, this audit included an assessment of applicable internal controls. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

EXHIBIT A

**STATEMENT OF INVENTORIES PER UNAUDITED ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEARS ENDED JUNE 30, 2022, AND 2021**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Food & Nutrition^a		
Commodities – Processing Plant	\$959,765	\$1,353,963
Public Warehouse	105,633	156,819
Schools	215,711	118,776
Purchased Food – Schools	1,143,262	966,857
Processed Food – Schools	502,426	264,851
Non-Food Supplies - Schools	<u>909,704</u>	<u>776,334</u>
Total Food and Nutrition	<u>3,836,501</u>	<u>3,637,600</u>
Stores and Mail Distribution^b		
Supplies	4,245,062	4,087,423
Textbooks	<u>76,469</u>	<u>971,555</u>
Total Stores & Mail Distribution	<u>4,321,531</u>	<u>5,058,978</u>
Maintenance Materials Management^c		
Materials, Parts, and Supplies	<u>3,415,656</u>	<u>3,656,501</u>
Department of Transportation^d		
Parts	1,794,096	1,525,110
Fuel	620,737	369,014
Tires and Tubes	<u>165,703</u>	<u>190,850</u>
Total Department of Transportation	<u>2,580,536</u>	<u>2,084,974</u>
Total Inventories	<u>\$14,154,224</u>	<u>\$14,438,053</u>

^a The increase is primarily due to the increase of all food costs which resulted in a higher inventory value.

^b The decrease is primarily due to fewer textbooks received prior to fiscal year end 2021-2022.

^c The decrease is primarily due to some discontinued purchases of COVID-19 pandemic related items.

^d The increase in fuel inventory is due to the significant increase in fuel costs. Also the increase in parts is attributed to cost increases, new items in the parts catalog, and more repair items utilized on an aging fleet.

**ANALYSIS OF INVENTORY RESULTS AND COMPOSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Department/Unit	Perpetual Inventory Prior to Count	Adjustment to Perpetual	Adjusted Perpetual Inventory June 30, 2022	Unadjusted General Ledger	Adjustment to General Ledger	Adjusted General Ledger June 30, 2022	Annual Financial Report June 30, 2022
Food & Nutrition	\$3,836,501	\$ -	\$3,836,501	\$3,836,501	\$ -	\$3,836,501	\$3,836,501
Stores and Mail Distribution							
Supplies ^a	4,278,168	(33,106)	4,245,062	4,245,062	-	4,245,062	4,245,062
Textbooks	76,469	-	76,469	76,469	-	76,469	76,469
Maintenance Materials Management ^b	3,518,672	(103,016)	3,415,656	3,415,592	64	3,415,656	3,415,656
Transportation ^c	<u>2,580,276</u>	<u>260</u>	<u>2,580,536</u>	<u>2,577,363</u>	<u>3,173</u>	<u>2,580,536</u>	<u>2,580,536</u>
Total Inventory	<u>\$14,290,086</u>	<u>\$(135,862)</u>	<u>\$14,154,224</u>	<u>\$14,150,987</u>	<u>\$3,237</u>	<u>\$14,154,224</u>	<u>\$14,154,224</u>

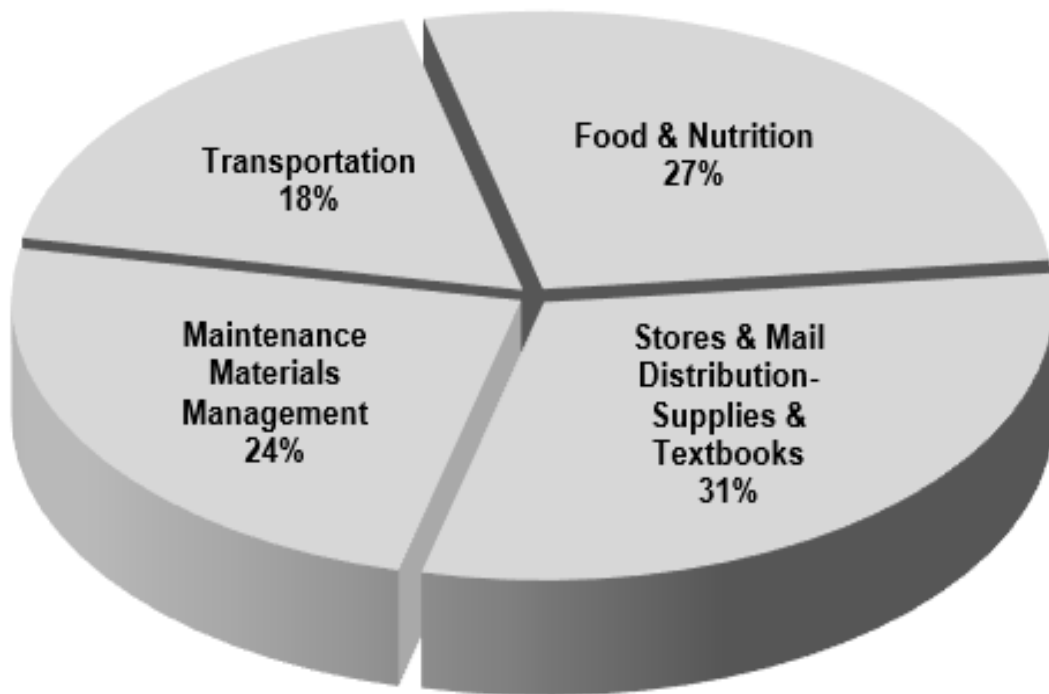
Notes:

^a Supplies – Overall net adjustments to the perpetual inventory of \$(33,106) resulted from \$12,150 worth of items received after the cut-off date and inventory count adjustment of \$(45,256).

^b The \$(103,016) net adjustment to the perpetual inventory records primarily consist of a correction in a cycle count error.

^c A net adjustment to perpetual of \$3,173 consisted of volatility in fuel prices as well as small variances between actual purchase costs and weighted average usage costs.

Composition of Inventory as of June 30, 2022



RESULTS OF THE AUDIT

1. INVENTORY OBSERVATIONS AND RECONCILIATION OF PHYSICAL COUNTS WERE SATISFACTORY AT VARIOUS DEPARTMENTS AND UNITS

Department of Food and Nutrition

The annual physical inventory count of the public warehouse inventory was conducted on June 24, 2022, by the Department of Food and Nutrition (F&N) staff and observed by the Office of Management and Compliance Audits. During our observation, we test-counted \$105,633 or 100% of the warehoused inventory on hand. We obtained positive confirmations for 100% of the \$959,765 of inventory located at the food processing plants.

We concluded that the \$3,836,501 of inventory was accurately reported in the District's unaudited Annual Financial Report, in all material respects.

Stores and Mail Distribution (Supplies)

The annual physical inventory count was conducted on June 30, 2022. Using the Cumulative Monetary Amount (CMA) sampling methodology with a confidence level of 95%, we test-counted inventory valued at \$2,386,674, and also judgmentally selected items valued at \$129,427 for a total of \$2,516,101, or 59% of the total inventory on hand.

We concluded that the \$4,245,062 of inventory was accurately reported in the District's unaudited Annual Financial Report, in all material respects.

Textbook Support Services

The value of the textbooks received by Stores & Mail Distribution (S&MD) amounted to \$76,469 of which we counted \$76,469 (100%). We tested 100% due to the small amount received, verifying the quantity per box and the number of boxes per container, and comparing to the total shipment received as reported on the packing list.

We concluded that the \$76,469 of inventory was accurately reported in the District's unaudited Annual Financial Report, in all material respects.

Maintenance Materials Management

The annual physical inventory count was conducted on June 30, 2022. Using CMA sampling methodology with a confidence level of 95%, we test-counted inventory valued at \$1,011,130 and also judgmentally selected items valued at \$37,619 for a total of \$1,048,749 or 31% of the total inventory value on hand.

We concluded that the \$3,415,656 of inventory was accurately reported in the District's unaudited Annual Financial Report, in all material respects.

Department of Transportation

The annual physical inventory count was conducted on June 30, 2022. Using CMA sampling methodology with a confidence level of 95%, we test-counted inventory valued at \$194,444, and also judgmentally selected items valued at \$46,209, and \$620,737 of fuel inventory for a total of \$861,390, or 33% of the total inventory on hand.

We concluded that the \$2,580,536 in inventory was accurately reported in the District's unaudited Annual Financial Report, in all material respects.

RECOMMENDATION

None.

Anti-Discrimination Policy

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. M-DCPS does not discriminate on the basis of sex in any education program or activity that it operates as required by Title IX. M-DCPS also does not discriminate on the basis of sex in admissions or employment.

Age Discrimination Act of 1975 - prohibits discrimination based on age in programs or activities.

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 years old.

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

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

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

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

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

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

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

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

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

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

In Addition:

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

For additional information about Title IX or any other discrimination/harassment concerns, contact the U.S. Department of Education Asst. Secretary for Civil Rights or:

Office of Civil Rights Compliance (CRC)
Executive Director/Title IX Coordinator
155 N.E. 15th Street, Suite P104E
Miami, Florida 33132

Phone: (305) 995-1580 TDD: (305) 995-2400

Email: crc@dadeschools.net Website: <https://hrdadeschools.net/civilrights>

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Miami-Dade County Public Schools

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DECEMBER 2022

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