

Miami-Dade County Public Schools



Internal Audit Report Audit of Inventories as of June 30, 2021



The value of the inventories reported in the District's unaudited Annual Financial Report as of June 30, 2021, 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 2021

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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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

Alberto M. Carvalho

Chief Auditor

Jon Goodman, CPA, CFE

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Luisa Santos

November 17, 2021

The Honorable Chair and Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee
Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

In accordance with the 2020-2021 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, 2021, 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

TABLE OF CONTENTS

	Page Number
EXECUTIVE SUMMARY	1
INTERNAL CONTROLS.....	2
BACKGROUND AND PARTIAL ORGANIZATIONAL CHART	3
OBJECTIVES, SCOPE, AND METHODOLOGY	7
EXHIBIT A – STATEMENT OF INVENTORIES PER UNAUDITED ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2021, AND 2020.....	8
EXHIBIT B – ANALYSIS OF INVENTORY RESULTS AND COMPOSITION FOR THE FISCAL YEAR ENDED JUNE 30, 2021.....	9
RESULTS OF THE AUDIT	
1. INVENTORY OBSERVATIONS AND RECONCILIATION OF PHYSICAL COUNTS WERE SATISFACTORY AT VARIOUS DEPARTMENTS AND UNITS.....	11

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 2020-2021 Fiscal Year 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 control over the inventory counting and reconciling processes.

Total year-end inventories decreased 30 percent from \$20.70 million at June 30, 2020, to \$14.44 million at June 30, 2021. The change in total inventories is primarily due to the bulk of the textbooks received subsequent to the fiscal year 2020-2021.

We concluded that the inventory balance of \$14,438,053 reported in the unaudited Annual Financial Report as of June 30, 2021, 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		

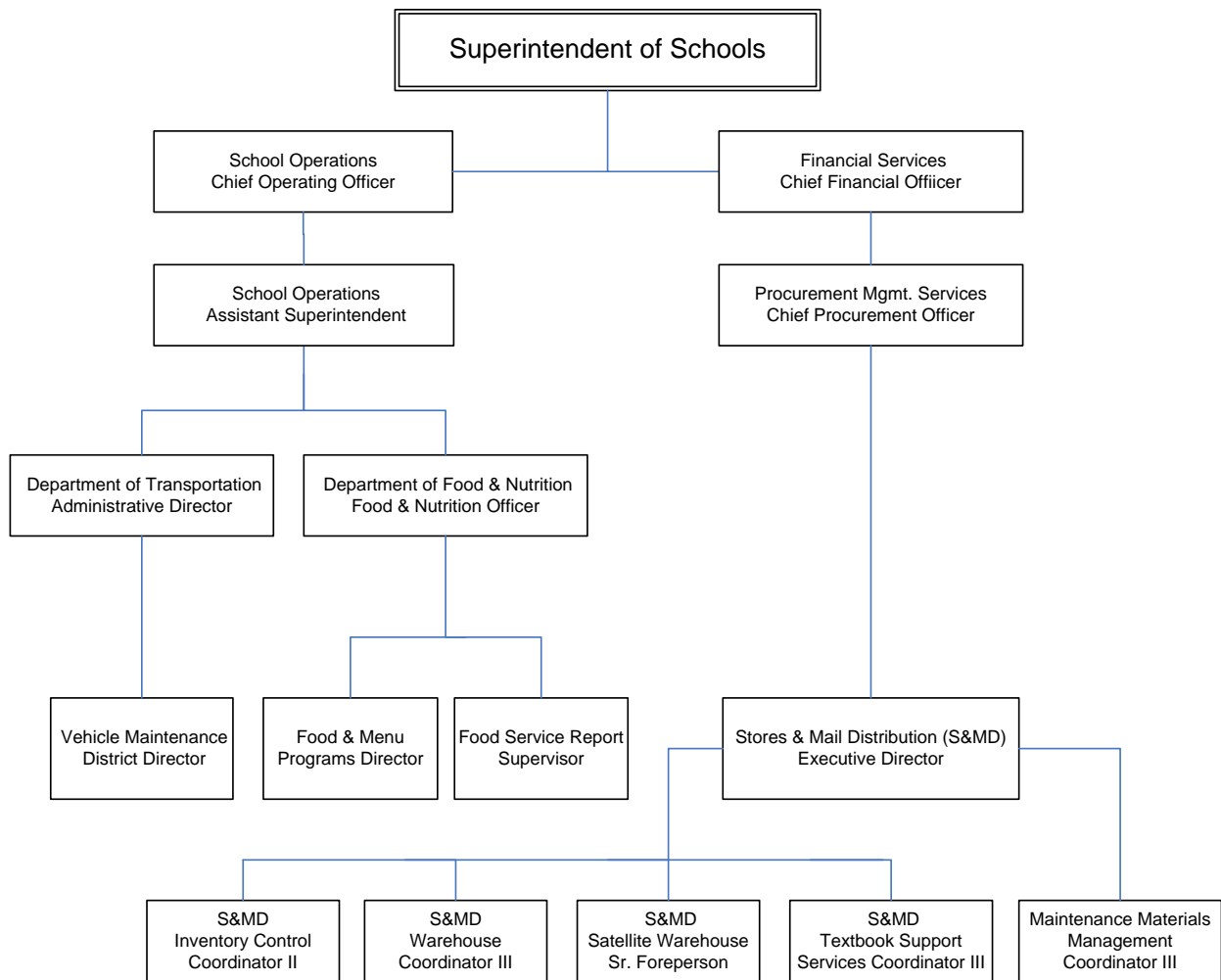
INTERNAL CONTROLS LEGEND			
CRITERIA	SATISFACTORY	NEEDS IMPROVEMENT	INADEQUATE
Process Controls	Effective	Opportunities exist to improve effectiveness	Do not exist or are not reliable
Policy & Procedures Compliance	In compliance	Non-Compliance issues exist	Non-Compliance issues are pervasive, significant, 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 the Department's records and U.S. Foods, Inc., records are reconciled monthly. Approximately 45% of the inventory as of June 30, 2021, is commodity foods donated by the Federal government, while the remaining 55% 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 2020-2021 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 37 trucks and vans that are used to deliver supplies to various school sites and District locations.

During the 2020-2021 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, storing 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 usually 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, 2021, there was one location storing all inventory items, the Central Warehouse. However, a second warehouse at the Coral Reef Maintenance complex is sometimes used to store inventory for emergency purposes. The inventory is valued using the weighted average cost method.

MMM maintains a fleet of 17 vehicles that are used to deliver supplies, parts, and equipment to Maintenance satellite locations and schools to support Zone Mechanics.

During the 2020-2021 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, while the second 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 999 school buses from seven terminals to transport the students of M-DCPS. Also, 1,832 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 239 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 and one Maintenance satellite location.

Additionally, inventories of oil, replacement parts, and tires are maintained at these six terminals. Approximately 59% of replacement parts, including tires, are stored at the Central Warehouse. The inventories are valued using the weighted average cost method.

During the 2020-2021 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 2020-2021 Fiscal Year 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, 2021, 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, 2021, AND 2020**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Food & Nutrition^a		
Commodities – Processing Plant	\$1,353,963	\$2,419,061
Public Warehouse	156,819	374,142
Schools	118,776	294,684
Purchased Food – Schools	966,857	1,119,288
Processed Food – Schools	264,851	390,157
Non-Food Supplies - Schools	<u>776,334</u>	<u>741,486</u>
Total Food and Nutrition	<u>3,637,600</u>	<u>5,338,818</u>
Stores and Mail Distribution^b		
Supplies	4,087,423	3,892,860
Textbooks	<u>971,555</u>	<u>6,874,931</u>
Total Stores & Mail Distribution	<u>5,058,978</u>	<u>10,767,791</u>
Maintenance Materials Management^c		
Materials, Parts, and Supplies	<u>3,656,501</u>	<u>2,767,328</u>
Department of Transportation^d		
Parts	1,525,110	1,407,847
Fuel	369,014	232,518
Tires and Tubes	<u>190,850</u>	<u>183,124</u>
Total Department of Transportation	<u>2,084,974</u>	<u>1,823,489</u>
Total Inventories	<u>\$14,438,053</u>	<u>\$20,697,426</u>

^a The decrease is primarily due to the lower “in person” students at school sites during the COVID-19 pandemic.

^b The decrease is due to the bulk of the textbooks received after the end of fiscal year 2020-2021.

^c The increase is primarily due to the purchase of COVID-19 pandemic related items.

^d The increase is due to the price increase in diesel and unleaded fuels during the 2020-2021 fiscal year.

**ANALYSIS OF INVENTORY RESULTS AND COMPOSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Department/Unit	Perpetual Inventory Prior to Count	Adjustment to Perpetual	Adjusted Perpetual Inventory June 30, 2021	Unadjusted General Ledger	Adjustment to General Ledger	Adjusted General Ledger June 30, 2021	Annual Financial Report June 30, 2021
Food & Nutrition	\$3,637,600	\$ -	\$3,637,600	\$3,637,600	\$ -	\$3,637,600	\$3,637,600
Stores and Mail Distribution							
Supplies ^a	4,019,339	68,084	4,087,423	4,086,502	921	4,087,423	4,087,423
Textbooks	971,555	-	971,555	971,555	-	971,555	971,555
Maintenance Materials Management ^b	3,658,791	(2,290)	3,656,501	3,634,403	22,098	3,656,501	3,656,501
Transportation ^c	<u>2,086,832</u>	<u>(1,858)</u>	<u>2,084,974</u>	<u>2,086,353</u>	<u>(1,379)</u>	<u>2,084,974</u>	<u>2,084,974</u>
Total Inventory	<u>\$14,374,117</u>	<u>\$63,936</u>	<u>\$14,438,053</u>	<u>\$14,416,413</u>	<u>\$21,640</u>	<u>\$14,438,053</u>	<u>\$14,438,053</u>

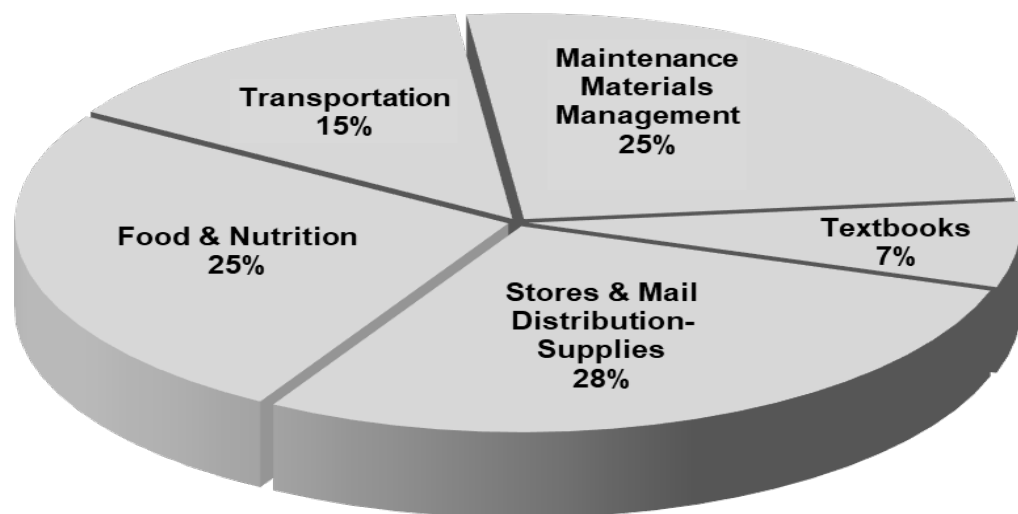
Notes:

^a Supplies – Overall net adjustments to the perpetual inventory of \$68,084 resulted from \$70,614 worth of items received after the cut-off date and inventory count adjustment of \$(2,530).

^b A \$(2,290) net adjustment to the perpetual inventory records primarily consisted of inventory count adjustments. While the \$22,098 net adjustment to the General Ledger was made to agree to the perpetual records.

^c A net adjustment to perpetual of \$(1,858) consisted of \$315 for an audit count adjustment and \$(2,173) for repair orders made on June 30th, during the audit counts. Net adjustment to the general ledger of \$(1,379) was primarily attributed to the volatility in fuel prices during the fiscal year ended June 30, 2021.

Composition of Inventory as of June 30, 2021



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 25, 2021, 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 \$156,819 or 100% of the warehoused inventory on hand. We obtained positive confirmations for 100% of the \$1,353,963 of inventory located at the food processing plants. No material variances were identified during these observations, test counts and confirmations.

We concluded that the \$3,637,600 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, 2021. Using the Cumulative Monetary Amount (CMA) sampling methodology with a confidence level of 95%, we test-counted inventory valued at \$2,063,315, and also judgmentally selected items valued at \$248,730 for a total of \$2,312,045, or 57% of the total inventory on hand. A minor adjustment of \$921 was made to bring the general ledger balance of \$4,086,502 as of June 30, 2021, in agreement with the perpetual inventory.

We concluded that the \$4,087,423 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 \$971,555 of which we counted \$800,232 (82%). Our testing consisted of judgmentally selecting multiple boxes from one purchase order for items 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. No adjustment was made to the general ledger.

We concluded that the \$971,555 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, 2021. Using CMA sampling methodology with a confidence level of 95%, we test-counted inventory valued at \$1,038,798 and also judgmentally selected items valued at \$6,031 for a total of \$1,044,829 or 29% of the total inventory value on hand. An adjustment of \$22,098 was required to bring the general ledger balance of \$3,634,403 as of June 30, 2021, in agreement with the perpetual inventory records.

We concluded that the \$3,656,501 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, 2021. Using CMA sampling methodology with a confidence level of 95%, we test-counted inventory valued at \$129,528, and also judgmentally selected items valued at \$51,677, and \$336,998 of fuel inventory for a total of \$518,203, or 25% of the total inventory on hand. The process of reconciling the perpetual inventory to the general ledger resulted in net adjustments of \$(1,379), mostly consisting of adjustments to fuel costs.

We concluded that the \$2,084,974 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: src@dadeschools.net Website: <https://hrdadeschools.net/civilrights>



Miami-Dade County Public Schools

***Internal Audit Report
Audit of Inventories as of June 30, 2021***

DECEMBER 2021

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