



Internal Audit Report



Hospitality Services



*Financial Statements Were Fairly Stated;
However, Controls In Selected Areas
Need Improvement. Additionally,
Management Should Evaluate Pricing
and Cost Structure of the Operation,
And Look Into Outsourcing
Opportunities.*

January 2009

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Dr. Solomon C. Stinson, Chair
Dr. Marta Pérez, Vice Chair
Mr. Agustin J. Barrera
Mr. Renier Diaz de la Portilla
Dr. Lawrence S. Feldman
Ms. Perla Tabares Hantman
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Ms. Ana Rivas Logan

•

Mr. Alberto M. Carvalho
Superintendent of Schools

•

Mr. Allen M. Vann, CPA
Chief Auditor
Office of Management and Compliance Audits

•

Contributors to this Report:

Audit Performed by:
Ms. Latosha Styles
Ms. Mariela Jimenez

Audit Supervised and Reviewed by:
Ms. Maria T. Gonzalez, CPA

Audit Report Prepared by:
Ms. Maria T. Gonzalez, CPA





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Miami-Dade County School Board

Dr. Solomon C. Stinson, Chair
Dr. Marta Pérez, Vice Chair
Agustin J. Barrera
Renier Diaz de la Portilla
Dr. Lawrence S. Feldman
Perla Tabares Hantman
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Ana Rivas Logan

January 16, 2009

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

Ladies and Gentlemen:

In accordance with our fiscal year 2008-09 annual audit plan, we conducted an audit of Hospitality Services for the three-year audit period of July 1, 2005 through June 30, 2008. The objectives of our audit were to express an opinion on the financial statements; evaluate compliance with applicable Florida Statutes, State Board of Education Rules, School Board Rules, as well as general compliance with the *Manual of Internal Fund Accounting*; and evaluate the internal control processes, payroll and property procedures.

Based on our audit, we are of the opinion that the financial statements of the internal funds of Hospitality Services present fairly, in all material respects, the changes in fund balances arising from cash transactions during the three-year period ended June 30, 2008, on the cash basis of accounting. Our assessment of the controls indicated that the internal control structure was generally functioning as designed with some room for improvement.

Historically, Hospitality Services has operated the SBAB and Annex dining facilities for the convenience of staff, business guests, and visitors of Miami-Dade County Public Schools. Consequently, this activity does not generate sufficient revenues to be self-sufficient. At the present time, the estimated cost to the District to operate this facility is approximately \$841,000. Based on the deteriorating financial condition of the District and the likelihood of further budget cuts that may require cutting core functions, management should evaluate the pricing and cost structure of the operation and look into outsourcing opportunities.

Our findings and recommendations were discussed with management. Their responses, along with explanations needed to assure that the findings and recommendations are addressed, are included herein. As always, we would like to thank the administration for the cooperation and courtesies extended to our staff during the audit.

Sincerely,

Allen M. Vann, CPA
Chief Auditor
Office of Management and Compliance Audits

AMV:mtg

TABLE OF CONTENTS

**Page
Number**

EXECUTIVE SUMMARY1

INTERNAL CONTROLS3

BACKGROUND4

ORGANIZATIONAL CHART6

OBJECTIVES, SCOPE, AND METHODOLOGY7

FINDINGS AND RECOMMENDATIONS

**1. Hospitality Services Subsidized By The General Fund
Needs To Be Evaluated In Light of the District’s
Deteriorating Financial Condition8**

**2. Inadequate Controls Over Purchasing
And Disbursements10**

**3. Management Of Vending Machines
Contracts Needs Strengthening13**

**4. Guidelines For Providing
Complimentary Hospitality
Updated But Not Formally
Approved16**

FINANCIAL STATEMENTS19

PRIOR AUDIT FINDINGS TABLE22

APPENDIX–Management’s Response

Office of School Facilities/Hospitality Services.....26

Financial Services/Procurement Management Services.....31

EXECUTIVE SUMMARY

Based on our audit, we concluded that apart from the exceptions noted below, the financial statements of the internal funds of Hospitality Services present fairly, in all material respects, the changes in fund balances arising from cash transactions during the fiscal years 2005-06, 2006-07, and 2007-08, based upon the cash basis method of accounting.

Our assessment of the controls that are in place to promote compliance with the *Manual of Internal Fund Accounting* indicated that the internal control structure was generally functioning as designed, but there were opportunities for improvement. Please, refer to the internal control tables on page 3 of this report.

For property and payroll, our audit concluded that property records were properly maintained and equipment items with an individual cost of \$1,000 or more were accounted for. In addition, payroll procedures were generally adhered to.

Historically, Hospitality Services has operated the SBAB and Annex dining facilities for the convenience of staff, business guests, and visitors of Miami-Dade County Public Schools. Consequently, most of the associated payroll costs were subsidized by the District since this activity does not generate sufficient funds to be self-sufficient. At the present time, the estimated cost to the District to operate this facility is approximately \$841,000. Based on the deteriorating financial condition of the District and the likelihood of further budget cuts that may require cutting core functions, management should evaluate the pricing and cost structure of the operation and look into outsourcing opportunities.

Hospitality Services sometimes made purchases from food vendors who did not have preexisting food contracts with MDCPS, or without obtaining the bids/quotes required by the *Manual of Internal Fund Accounting*. Similarly, we found checks that were issued with only one staff member's signature; however, pursuant to policy, checks require two signatures.

The outsourcing of vending machines operations requires better contract management. Although Hospitality Services had executed contracts with three separate vendors, and submitted the paperwork to Procurement Management Services for review and approval, as of the end of the audit fieldwork, the contracts were still pending the review of Procurement Management Services. The Attorney's Office and Risk Management will still have to review these contracts.

Hospitality Services needs to implement formal procedures for providing hospitality services for staff and guests. Although the Director of Hospitality Services updated procedures and submitted those to management for approval, these have not been formally approved or disseminated to MDCPS. Given the current state of financial distress of the District, management should revisit hospitality spending limits to further curtail expenses.

Some of these conditions were cited in the prior audit report.

With respect to the items tested, Hospitality Services was in general compliance with the policies and procedures delineated in the *Manual of Internal Fund Accounting*, except as noted below. When conditions came to our attention that were deemed non-reportable, because they were immaterial or inconsequential, they were, nevertheless, discussed with management for their information and follow-up.

INTERNAL CONTROLS

Our overall evaluation of internal controls for Hospitality Services is summarized in the table below.

INTERNAL CONTROLS RATING			
CRITERIA	SATISFACTORY	NEEDS IMPROVEMENT	INADEQUATE
Process Controls		X	
Policy & Procedures Compliance		X	
Effect		X	
Information Risk	X		
External Risk (Image)	X		
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	Non-compliance issues are minor	Non-Compliance Issues may be systemic	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 (Image)	None or low	Potential for damage	Severe risk of damage

BACKGROUND

General Operation

Hospitality Services generates revenue from the sale of food items and beverages at its two dining facilities. The main dining facility is located on the seventh floor of the School Board Administration (SBAB) Building, while a smaller facility is located in the Annex Building. Revenues are also derived from vending machine commissions generated from beverage and snack vending machines located throughout the administrative buildings.

The revenues generated from these activities are deposited into an internal funds checking account managed at the site by the Director of Hospitality Services. These funds are primarily utilized to purchase provisions used in the preparation of meals. They are also used to purchase cafeteria supplies, equipment, and related miscellaneous expenses; and to subsidize hospitality-related expenses incurred by the District. In addition, they are used to pay for the overtime and hourly payroll of cafeteria employees not otherwise covered with District funds.

Staff and Administration

As of November 2008, Hospitality Services employed 21 full-time employees and three part-time employees. This includes administrative, clerical, and food handling staff. Most payroll expenditures are covered with District's funds (refer to organizational chart on page 6 and discussion on page 8).

Use of Cash and Investments

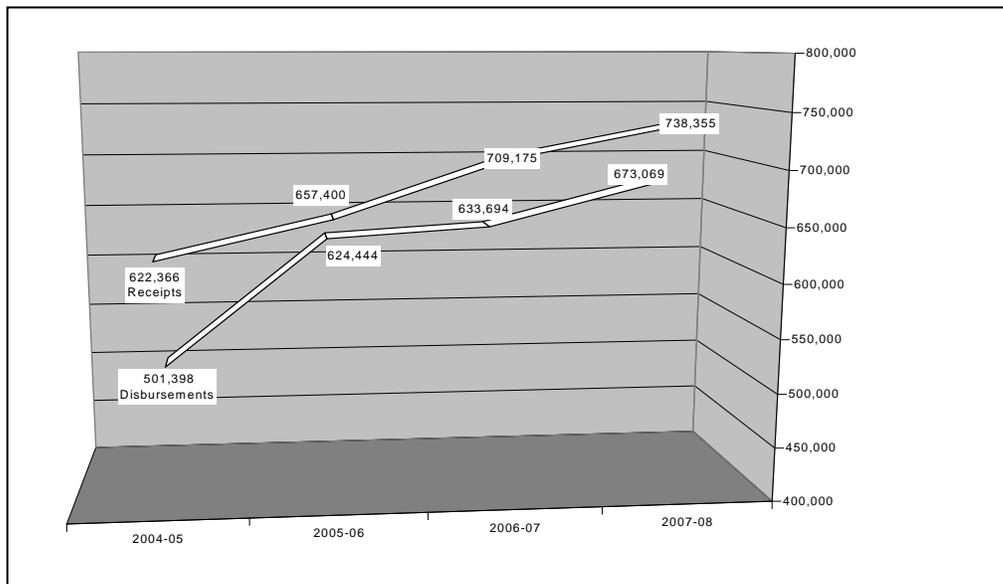
To maximize interest earnings, internal funds not used in the day-to-day operations of the facility are invested in the MDCPS-Money Market Pool Fund, which was earning interest at the rate of 4.78%, 5.08%, and 3.79% at the end of each of the respective fiscal years under audit. Similarly, for each of the years under audit, the fund balance deposited in both the interest-bearing checking account and the MDCPS-Money Market Pool Fund amounted to \$551,425, \$626,906, and \$692,192 (refer to the following table for this facility's cash and investment summary and pages 19-21 of this report for the financial statements).

CASH AND/OR INVESTMENTS SUMMARY

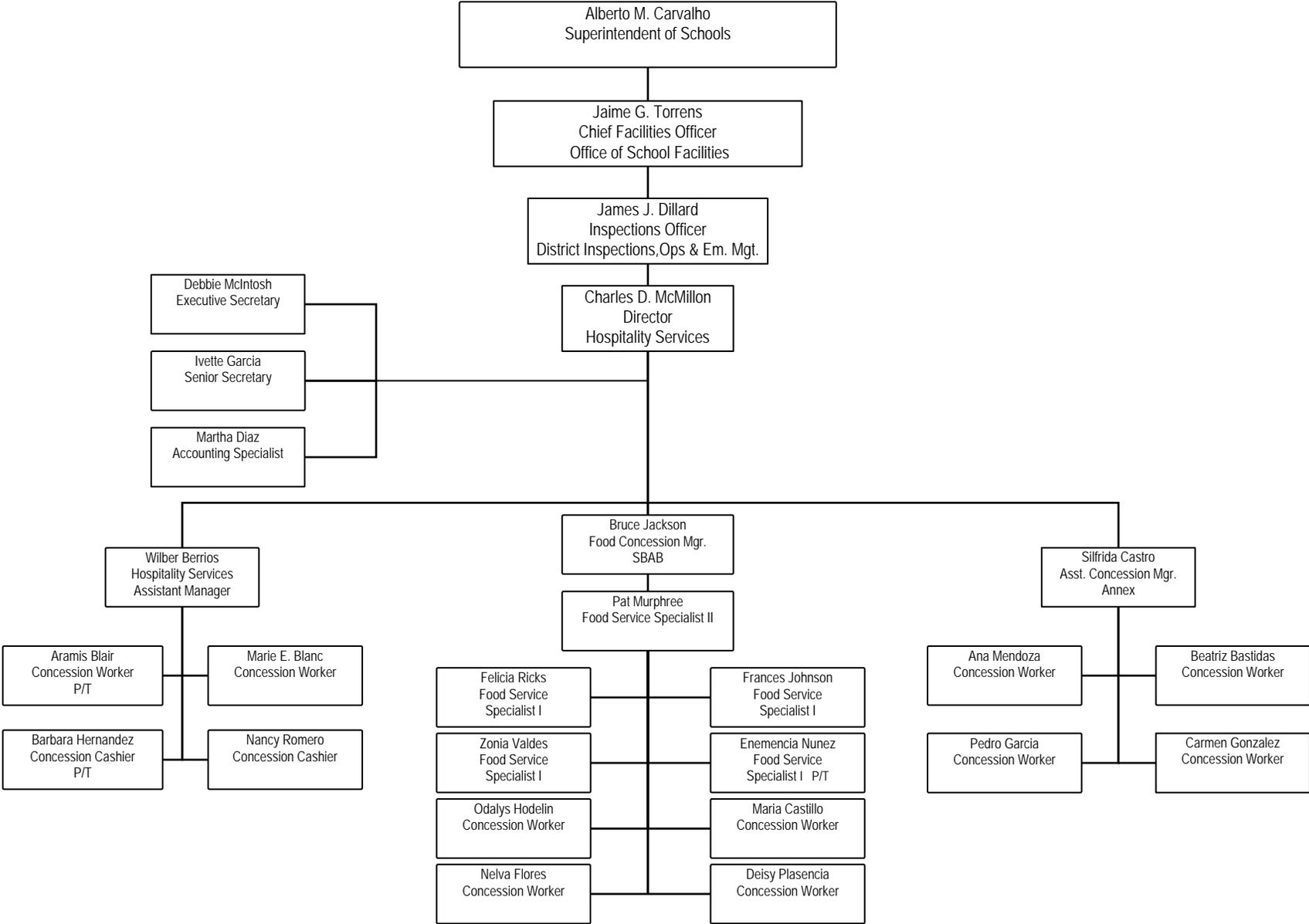
	Interest Rate	6/30/06	6/30/07	6/30/08
Checking Account:				
Wachovia Bank, N. A.	3.22	\$ 36,989.79		
	3.12		\$ 26,716.86	
	0.51			\$ 63,164.08
Investment:				
MDCPS-Money Market Pool Fund	4.78	514,435.41		
	5.08		600,189.08	
	3.79			629,027.52
TOTAL		\$ 551,425.20	\$ 626,905.94	\$ 692,191.60

For fiscal years ended June 30, 2006, June 30, 2007, and June 30, 2008, cash receipts and disbursements processed through the internal funds of Hospitality Services were summarized in the following graph. Compared to the 2004-05 fiscal year activity, cash receipts have increased by \$115,989 while disbursements have increased by \$171,671.

At the end of the 2004-05 fiscal year, the internal funds balance of this facility amounted to \$518,469. This balance increased during the three-year audit period, for an overall increase of \$173,723.



ORGANIZATIONAL CHART



OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to:

- express an opinion on the financial statements;
- evaluate compliance with applicable Florida Statutes, State Board of Education Rules and School Board Rules, and policies and procedures prescribed in the *Manual of Internal Fund Accounting*;
- evaluate internal controls to determine the extent to which the control components promote compliance with the policies and procedures prescribed by the *Manual of Internal Fund Accounting*;
- provide assurance to the administration regarding compliance with current payroll procedures prescribed in the *Payroll Processing Procedures Manual*; and
- determine whether all property items with an individual value of \$1,000 or more were accounted for, and whether policies and procedures prescribed by the *Manual of Property Control Procedures* were adhered to.

Our review of internal funds covered the three-year fiscal period of July 2005 through June 2008.

Procedures performed to satisfy audit objectives were as follows:

- interviewed staff and reviewed the organizational structure of the facility;
- examined, on a test basis, a representative sample of receipts and disbursements, as well as other subsidiary records;
- reviewed the checking account and subsidiary documentation;
- reviewed the bookkeeping and cashiering functions;
- reviewed policies and procedures regarding the food operation and the hospitality account;
- reviewed vending machine contracts;
- visually inspected the dining facilities and the vending machines located throughout the administrative building;
- reviewed payroll records;
- reviewed inspection reports and food handler certifications; and
- performed other audit procedures as deemed necessary.

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States of America. The results of our property audit was in all material respects similarly conducted in accordance with the generally accepted government auditing standards, with the exception of the continuing professional education requirement not followed by our property auditors.

FINDINGS AND RECOMMENDATIONS

1. Hospitality Services Subsidized By The General Fund Needs To Be Evaluated In Light of the District's Deteriorating Financial Condition

Historically, Hospitality Services has operated the SBAB and Annex dining facilities for the convenience of staff, business guests, and visitors of Miami-Dade County Public Schools. Consequently, Hospitality Services does not generate sufficient revenues to be self-sufficient. In fact, with the exception of food costs, which are paid with internal funds, most of the operational costs are subsidized by the District.

For the three-year period audited, Hospitality Services generated revenues from the sale of food items and beverages, and investment income of \$173,723 in excess of expenses incurred. As a result, by June 30, 2008, the fund balance increased to \$692,192.

	F.Y. 2006	F.Y. 2007	F.Y. 2008	Totals
Internal Funds' Cash Receipts	\$ 657,400	\$ 709,175	\$ 738,355	\$2,104,930
Internal Funds' Cash Disbursements	624,444	633,694	673,069	1,931,207
Increase/(Decrease) Internal Funds' Balance	32,956	75,481	65,286	173,723
Internal Funds' Year End Fund Balance(s)	\$ 551,425	\$ 626,906	\$ 692,192	

However, during the same time period (2006-2008), payroll expenditures (including fringe benefits and insurance) charged to the District's General Fund (net of \$113,541 from internal funds remitted to the District to pay for hourly and overtime payroll expenditures exceeding district's budgeted allowances) amounted to almost \$2.28 million. This cost is significantly higher than the amount of net revenues generated by the activity.

	F.Y. 2006	F.Y. 2007	F.Y. 2008	Totals
Total Payroll Expenditures Posted To Hospitality Services' District Accounts	\$ 700,741	\$ 822,888	\$ 867,942	\$2,391,571
Internal Funds Remitted To The District To Reimburse General Fund For Excess Hourly/Overtime Payroll	57,364	18,286	37,891	113,541
Net Subsidy From General Fund	\$ 643,377	\$ 804,602	\$ 830,051	\$2,278,030

The overall operational costs referred to in this report do not include the additional cost of utilities for this facility, for which numbers are unavailable.

For the 2008-09 fiscal year, Hospitality services has been budgeted \$840,525 from the General Fund. As of November 2008, almost \$314,000, net of any internal funds reimbursements has been spent.

Based on the deteriorating financial condition of the District and the likelihood of further budget cuts that may require cutting core functions, management needs to evaluate the general subsidy provided to administrative staff at the School Board Administration (SBAB) Building and the Annex Building for meals and complimentary food and refreshments services offered to visitors/business guests and personnel. Options include: 1) raising prices and/or reducing costs or; 2) outsourcing the entire operation. Food service management companies may be engaged to perform the same service at no incremental cost to the District other than providing the preexisting space and equipment.

RECOMMENDATION

- 1. In the short term consider adjusting prices and reducing costs. For the long term, coordinate with Procurement Management Services the issuance of a Request for Information in order to gain an understanding of the potential benefits of outsourcing food services at the School Board Administration (SBAB) Building and the Annex Building.**

Responsible Department: Hospitality Services/Facilities Management

Management Response: To increase revenues, Hospitality Services began offering hot lunch services in the Annex dining facility in December of 2005. In March, 2008, Hospitality Services adjusted over 80% of its menu prices for breakfast and lunch items. In January 2009, an average 7.5% increase for lunch entrée specials and an average 17% increase for dessert prices was effected. Hospitality Services will continue to review menu prices periodically and make adjustments to continue increasing revenue while providing services that customers expect. The Hospitality Services Director will review price adjustment recommendations with his immediate supervisor prior to implementation.

Office of School Facilities and Hospitality Services will work with Procurement Management Services to explore the feasibility of outsourcing part or all of its operations to a commercial food service vendor.

2. Inadequate Controls Over Purchasing And Disbursements

We reviewed the disbursement activity of Hospitality Services as part of the follow-up to our prior audit findings and recommendations. In our prior audit report we recommended that Hospitality Services consider the use of preexisting food contracts with M-DCPS to ensure that the lowest prices are obtained. Where a preexisting contract is not already in place or is not feasible, Hospitality Services should follow the purchasing procedures established in the *Manual of Internal Fund Accounting*¹.

Our examination revealed that non-compliant purchasing activities were still evident. Although we reviewed disbursements made in the two prior years, our review concentrated on the most current year.

During the 2007-08 fiscal year, Hospitality Services spent a total of \$673,069. Of that amount, approximately \$100,000 was spent on the purchase of cafeteria equipment and related operational expenses; and also included the remittance of sales tax to the Florida Department of Revenue. Approximately \$573,000 in vendor payments was posted to the food sales account. Vendor payments were traced to 20 vendors for the procurement of food items such as: baked goods, meat and poultry, produce, paper goods, carbonated beverages, and other general food items.

Our analysis concentrated on the top 14 vendors that were paid over \$5,000 each during the 2007-08 fiscal year, for a total of \$566,020 or almost 99% of the disbursements posted to the food sales account. Details follow:

- 2.1. For nine of the 14 vendors, there were no contracts corresponding to the 2007-08 fiscal year. Additionally, contrary to the procedures established in the *Manual of Internal Fund Accounting*, written bids or quotes to document the lowest price selected had not been obtained. The top vendor was awarded a food contract through Procurement Management Services during the 2008-09 fiscal year, *subsequent* to the audit period. During the 2007-08 fiscal year, Hospitality Services paid this vendor a total of \$356,890 for food-related purchases in the form of 12 individual payments; some exceeding \$25,000.

¹ State Board of Education Rule 6A-7.0411 and School Board Rule 6Gx13-3C-1.10 exempt purchases of food products from competitive bidding requirements. Nevertheless, the District's Procurement Department still uses formal bidding when purchasing food for our schools to ensure that the lowest prices are obtained. Furthermore, Section II, Chapter 4 of the *Manual of Internal Fund Accounting* establishes the requirements for quotes and bids when making large purchases using internal funds. For purchases of \$5,000 or more but less than \$25,000, at least three (3) written bids from the solicited vendors are required. For purchases of \$25,000 or more, formal bid procedures must be followed, including advertisement in newspapers and opening of sealed bids on a specified date.

- 2.2. Of the five vendors with preexisting contracts, we tested some of the corresponding disbursements to verify the accuracy of the prices invoiced against the prices approved pursuant to the contracts. Our test found instances where items were purchased that were not in the food contracts.
- 2.3. We reviewed all checks issued during the three-year period to ensure that proper check signing procedures were followed. We found that three checks issued between January and May 2007 for a total amount of \$48,465 were cashed by the bank without being signed by the administrator or his designee². Furthermore, two of these checks, issued for over \$20,000 each, were cashed by the bank.

RECOMMENDATIONS

- 2.1. **Hospitality Services should coordinate with Procurement Management Services to negotiate and enter into food contracts or obtain vendor quotes for items purchased not on contract. Otherwise, the purchasing procedures established in the *Manual of Internal Fund Accounting* should be followed.**

Responsible Department: Office of School Facilities/Hospitality Services

Management Response: Hospitality Services concurs with the recommendation in the Audit Report to ensure compliance with the District's purchasing and disbursement controls. Hospitality Services has reviewed all current District bids related to food service operation. Hospitality Services is currently working with Procurement Management staff to issue bids according to the *Manual of Internal Fund Accounting* procedures for goods and services required by Hospitality Services but currently not available on District bids. Hospitality Services is also working with Procurement Management staff to obtain quotes for products that do not exceed the District threshold requiring formal bidding. The Director of Hospitality Services will review with Procurement Management Services all quotes received for compliance with the District's purchasing policies.

- 2.2. **Hospitality Services should maintain copies of food contracts, quotes and any other documentation supporting these purchases.**

Responsible Department: Hospitality Services

Management Response: Hospitality Services now maintains in its files copies of all current M-DCPS bid awards used to make purchases related to its food service operation. The Director of Hospitality Services will be responsible for maintaining copies of all current bid awards, contracts, quotes and relevant documents in the Hospitality Services office files.

²Section II, Chapter 5 of the *Manual* establishes that all disbursements must bear two signatures, one from an authorized designated administrator, and the second from the treasurer or authorized clerical designee.

2.3. Ensure that all required signatures are affixed to the checks prior to processing payment.

Responsible Department:

Hospitality Services

Management Response: Hospitality Services concurs with the recommendation in Audit Report that all signatures must be affixed to checks prior to issuance of payment. Control measures have been implemented according to the *Manual of Internal Fund Accounting* procedures to assure that all required steps are followed for payment to vendors for goods and services.

3. Management Of Vending Machines Contracts Needs Strengthening

We reviewed Hospitality Services' vending machine contracts as a follow up to our prior audit findings and recommendations. During our past audit, we had recommended that Hospitality Services ensure that contract agreements and general liability insurance be kept up to date and in accordance with District Procurement rules. Based on current results, we determined that improvements in this area are still needed, as detailed below:

As a result of staffing limitations, Hospitality Services has outsourced their vending machine operation since the 2004-05 fiscal year. The outside vendors pay Hospitality Services a contractually agreed-upon vending commission based on a percentage of their sales. As of November 2008, three vendors operate 29 machines throughout the SBAB main dining and Annex facilities: Gilly Vending, Inc. (16), Brothers Vending, Inc. (11), and Ice Cream Vendors, Inc. (2). In addition to the 29 vendor-serviced machines, Hospitality Services continues to service two soda machines located inside their main dining facility.

According to Procurement Management Services' procedures, all locations that have vending machine services from outside companies are required to execute a Vending Machine/Service Agreement. Each location administrator must keep the original agreement on file for audit purposes and forward a copy of the signed agreement to Procurement Management Services within ten days of execution. The vendor must also provide copies of a fully completed certificate of insurance, signed by an authorized representative of the insurer, providing coverage for commercial general liability, automobile, and workers' compensation.

Although we reviewed the vending agreements for the three year audit period, our review concentrated on the 2007-08 fiscal year.

3.1. Regarding the 2007-08 fiscal year, Hospitality Services had executed and signed contracts with three vendors up to June 30, 2008. We were provided with documentation that showed that these agreements had been extended up to December 31, 2008, as mutually agreed by both parties. However, none of the contracts had been reviewed and signed for approval by Procurement Management Services or the Attorney's Office. During the audit, we contacted Procurement Management Services to inquire about these contracts. After our inquiries, the documents were located by Procurement Management staff and subsequently forwarded to the Attorney's Office. As of the completion of the audit field work, there was no documentation to support that the 2007-08 vending agreement had been reviewed by the Attorney's Office.

- 3.2. Documentation on file regarding Certificates of Insurance for one of the vendors was incomplete. At our request, Hospitality Services contacted the vendor to obtain the additional information; however, as of the completion of the audit field work, documentation of insurance coverage for this vendor was still incomplete. According to staff from Risk Management, they had no knowledge of any of these contracts and the related Certificates of Insurance.
- 3.3. Similar to the prior audit, we found that commissions are based on a percentage of total sales, and the vending machines are serviced by the vendors without any oversight from the District. Therefore, it is not possible to determine the accuracy of the commissions received. In the prior audit, Hospitality Services management responded that it would investigate the issuance of a bid based upon Access Fee Concept to allow vendors to provide the district with fixed revenue for placing their machines in various locations, and improve monitoring over the accuracy of the commissions received. However, we were not provided with any evidence that these negotiations occurred between Hospitality Services and Procurement Management Services.

RECOMMENDATIONS

- 3.1. **Procurement Management Services must strengthen the contract approval process to ensure that submitted contracts are timely reviewed and submitted to the Attorney's Office for final review and approval.**

Responsible Department:

Procurement Management Services

Management Response: A contract-approval process was in place to require Vending Machine Agreements to be signed by Procurement Management Services, prior to execution, in order to ensure that all requirements of the Agreement were met by the vendor and would then also be available for official recording. However, due to the negotiations of a contract with DD Marketing, Inc., for revenue-generating opportunities for beverages in vending machines district-wide, the Agreements for Hospitality were placed on hold. Inasmuch as the proposed revenues by DD Marketing, Inc. were not in the best interest of the District, the contract was rejected by the Board. Subsequent to the rejection of the marketing contract, the routing process was not completed. The Vending Machine Agreement form, which was previously approved by the Attorney's Office as to legal form and sufficiency, was fully enforceable. A log of all Vending Agreements processed will be maintained to avoid this occurrence in the future.

Responsible Department:

Hospitality Services

Management Response: Hospitality Services will coordinate with Procurement Management staff in a timely manner for review and submission of all vending machine contracts. Hospitality Services has established a log to track the status of each vending machine contract it submits to Procurement Management staff for their review and approval.

3.2. Investigate the issuance of a bid based upon Access Fee Concept to have better control over commissions received.

Responsible Department:

Procurement Management Services

Management Response: Procurement Management Services agrees with the recommendation and has met with Food and Nutrition staff to draft a bid for a fixed-fee arrangement for vending machines. This bid will also include the beverage-vending machines operated by the Hospitality Department. The specifications of the bid will include separate accounting responsibilities for Food and Nutrition and the Hospitality Department, and is scheduled to be presented for the Board's consideration in June 2009.

4. Guidelines For Providing Complimentary Hospitality Updated But Not Formally Approved

Hospitality Services is responsible for covering the cost of complimentary food and refreshments services offered to visitors/business guests and personnel engaged in School Board business, meetings, committees, and similar activities. These expenditures are allowable under State Board of Education Rule 6A-1.0143 and School Board Rule 6Gx13-3D-1.022. The School Board limits these expenditures to annual maximum disbursements not to exceed \$75,000 per fiscal year.

Our prior audit revealed that the specific guidelines as to the food and beverage items that could be dispensed and the procedures to follow for ordering and documenting these items were delineated in a 1997 memorandum from District Operations. We recommended updating procedures for providing complimentary food and refreshments to visitors/business guests and personnel engaged in School Board business, meetings, committees, and similar activities (referred to as hospitality), which should delineate the process for ordering complimentary beverages and food items, the required levels of authorizations, and the limitations over the available menu choices. We found that the guidelines had been updated, but were never officially approved by senior management for implementation.

We also found some inconsistencies with the paperwork supporting the Hospitality orders. Hospitality orders were reviewed for all three fiscal years; however, we drew a sample of hospitality orders served during the 2007-08 fiscal year for our tests. We found that, although requests were approved by the former Superintendent or members of the Superintendent's Cabinet, not all food items ordered and served during the related functions agreed with those complimentary food items indicated on the forms. According to the Hospitality Services Director, items served were not limited to items on the forms.

A requirement dating back to 1997 dictated that the lists of the names of meeting attendees not employed with the school system be provided to document all individuals who received the complimentary food items served at those meetings. However, we found that these lists were not always provided. We also found that order forms were not always properly completed by Hospitality Services staff. Some of the items charged could not be traced to a properly completed price list; therefore, we could not verify the accuracy of the charges.

To properly account for these expenditures, a Trust Fund-Hospitality Non-Cash account (to be referred to as the Hospitality account) was established in the internal funds of Hospitality Services. In past years, hospitality-related expenses were limited to the amount of vending machine commissions received. However, our previous audit revealed that these expenses exceeded vending machine commissions; and recommended that the administration revisit this matter to curtail expenditures and better align with available funding. Subsequent to the audit, management increased the budgeted level of complimentary hospitality to \$40,000 per year, and agreed to subsidize the difference with proceeds from cafeteria sales. According to management, the increase was required to better accommodate rising complimentary hospitality needs.

The following table depicts a comparison of hospitality related expenditures and vending machine commissions received for each of the respective years under audit:

Fiscal Year	Hospitality-Related Expenditures	Vending Machine Commissions	Amount Financed From Cafeteria Sales
2005-06	\$ 37,917	\$ 28,629	\$ 9,288
2006-07	34,534	29,400	5,134
2007-08	33,374	25,760	7,614

Given the current financial difficulties of the District, management should consider curtailing complimentary hospitality requests and revert back to a spending limit equal to or less than the amount of vending commissions.

RECOMMENDATIONS

4.1. Update and formally approve current guidelines to ensure consistency in the provision of complimentary hospitality services.

Responsible Department: Office of School Facilities/Hospitality Services

Management Response: As noted in the Audit Report, in order to reduce cost, Hospitality Services revised the guidelines for providing complementary refreshment services. Stricter guidelines were implemented by Hospitality Services in April 2008.

The revised guidelines for providing complimentary services have now been approved by senior management. Guidelines will be reviewed from time to time.

4.2. Revisit the current \$40,000 complimentary hospitality threshold to determine whether the expenditures should be curtailed going forward.

Responsible Department: Office of School Facilities/Hospitality Services

Management Response: It is anticipated that recent reductions in personnel assigned to the School Board Administration Complex will result in lower vending machine revenues. Consequently, to ensure expenses for complimentary services are adequately funded, Hospitality Services has set a budget for these services that is 10% below the vending machine profits during fiscal year 2007-08. This represents a reduction of nearly \$2,600 during 2008-09 for an annual budget of approximately \$23,200.

Going forward, the annual budget will be 10% below the previous year's revenues. The Director of Hospitality Services will be responsible for monitoring expenses monthly and, based on the revenues received through vending machine operations, make further reductions that may be necessary throughout the year.

4.3. Lists of the names of meeting attendees should be included as part of the documentation.

Responsible Department: Office of School Facilities/Hospitality Services

Management Response: Hospitality Services shall request all names of meeting attendees to be included with request for services. The names of all meeting attendees will be kept on file with complimentary service requests. Non-compliance by any requesting department will be brought to the attention of the corresponding member of Superintendent's Cabinet for appropriate action.

4.4. Prepare and maintain on file price lists related to the complimentary hospitality items.

Responsible Department: Office of School Facilities/Hospitality Services

Management Response: Hospitality Services has in its file a price list for complimentary services. The Director of Hospitality Services will periodically review with senior management the pricing structure for complementary services and make adjustments accordingly.

In closing, Hospitality Services management recognizes the importance of adhering to established M-DCPS purchasing guidelines and best business practices. Staff will endeavor to reduce operating costs and increase revenues while continuing to provide quality services to District Office employees and visitors.

FINANCIAL STATEMENTS

The following are the internal funds' annual financial reports for each audited fiscal year. Refer to page 5 for the cash and/or investments summary:

AS OF: 06/30/06 M I A M I - D A D E C O U N T Y P U B L I C S C H O O L S RUN DATE: 07/01/06
 PRODUCT NO. T22160401 SCHOOL INTERNAL FUNDS - ANNUAL FINANCIAL REPORT PAGE NO. 180

SPECIALIZED EDUC					
SCHOOL - 9026 HOSPITALITY SERVICES					
FUNDS	BEGINNING BALANCE	RECEIPTS	DISBURSE- MENT	NET TRANSFER	ENDING BALANCE
TRUST					
ADVANCE FOR CHAN	510.00-	510.00	.00	.00	.00
CONCESSIONS	.00	18,748.88	.00	18,748.88-	.00
SALES TAX	10,720.85	39,565.82	37,882.56	.00	12,404.11
HOSPITALITY NON	1,575.03	.00	826.77	748.26-	.00
PETTY CASH	400.00-	.00	.00	.00	400.00-
VENDIND SNACKS T	570.62	374.52	601.34	.00	343.80
VENDING SODA TAX	544.20	343.09	317.72	.00	569.57
TRUST	12,500.70	59,542.31	39,628.39	19,497.14-	12,917.48
GENERAL					
GENERAL MISCELLA	508,036.96	.00	58,258.56	122,438.83	572,217.23
CASH OVER & SHOR	.00	6.40-	.00	6.40	.00
INTEREST	.00	20,270.89	.00	20,270.89-	.00
REPAIR & MAINTEN	.00	.00	954.00	.00	954.00-
REGISTRATION FEE	.00	.00	798.00	.00	798.00-
EQUIPMENT	.00	.00	29,889.51	.00	29,889.51-
SNACKS VENDING	.00	5,156.68	1,362.05	3,794.63-	.00
SODA VENDING	.00	4,723.36	335.10	4,388.26-	.00
GENERAL	508,036.96	30,144.53	91,597.22	93,991.45	540,575.72
FOOD SERVICE					
CAFETERIA ARMORE	.00	.00	2,331.27	2,331.27	.00
REPAIRS AND MAIN	.00	.00	4,888.23	4,888.23	.00
KITCHEN UTENSILE	.00	.00	4,515.47	4,515.47	.00
CAFETERIA MISC E	.00	.00	2,540.78	2,540.78	.00
OFFICE SUPPLIES	.00	.00	2,784.04	2,784.04	.00
CASH - OVER/SHOR	.00	199.57	.00	199.57-	.00
FOOD SALES	.00	563,397.38	476,158.56	87,238.82-	.00
TAX EXEMPTED SAL	.00	4,115.71	.00	4,115.71-	.00
CAFETERIA CHANGE	2,068.00-	.00	.00	.00	2,068.00-
FOOD SERVICE	2,068.00-	567,712.66	493,218.35	74,494.31-	2,068.00-
TOTAL	518,469.66	657,399.50	624,443.96	.00	551,425.20
<hr/>					
CHECKING	36,989.79	INVESTMENTS	.00	SBMMF	514,435.41
			ACCOUNTS PAYABLE	.00	TOTAL
					551,425.20

FINANCIAL STATEMENTS

AS OF: 06/30/07 M I A M I - D A D E C O U N T Y P U B L I C S C H O O L S RUN DATE: 06/30/07
 PRODUCT NO. T22160401 SCHOOL INTERNAL FUNDS - ANNUAL FINANCIAL REPORT PAGE NO. 180

SPECIALIZED EDUC
 SCHOOL - 9026 HOSPITALITY SERVICES

FUNDS	BEGINNING BALANCE	RECEIPTS	DISBURSE- MENT	NET TRANSFER	ENDING BALANCE		
TRUST							
CONCESSIONS	.00	21,356.23	.00	21,356.23-	.00		
SALES TAX	12,404.11	42,432.44	41,520.05	.00	13,316.50		
HOSPITALITY NON	.00	.00	1,290.00	1,290.00	.00		
PETTY CASH	400.00-	.00	.00	.00	400.00-		
VENDING SNACKS T	343.80	.00	.00	.00	343.80		
VENDING SODA TAX	569.57	584.05	566.24	.00	587.38		
TRUST	12,917.48	64,372.72	43,376.29	20,066.23-	13,847.68		
GENERAL							
GENERAL MISCELLA	540,575.72	6.00	46,456.04	930.64	495,056.32		
INTEREST	.00	27,933.87	.00	27,933.87-	.00		
REGISTRATION FEE	.00	.00	227.00	.00	227.00-		
EQUIPMENT	.00	.00	11,115.60	.00	11,115.60-		
SODA VENDING	.00	8,043.50	.00	8,043.50-	.00		
GENERAL	540,575.72	35,983.37	57,798.64	35,046.73-	483,713.72		
FOOD SERVICE							
CAFETERIA ARMORE	.00	.00	2,288.86	2,288.86	.00		
REPAIRS AND MAIN	.00	.00	7,314.18	7,314.18	.00		
KITCHEN UTENSILE	.00	.00	1,817.44	1,817.44	.00		
CAFETERIA MISC E	.00	.00	6,420.11	6,420.11	.00		
OFFICE SUPPLIES	.00	.00	4,028.58	4,028.58	.00		
CASH - OVER/SHOR	.00	195.69	.00	.00	195.69		
FOOD SALES	.00	604,326.82	510,649.85	33,243.79	126,920.76		
TAX EXEMPTED SAL	.00	4,296.09	.00	.00	4,296.09		
CAFETERIA CHANGE	2,068.00-	.00	.00	.00	2,068.00-		
FOOD SERVICE	2,068.00-	608,818.60	532,519.02	55,112.96	129,344.54		
TOTAL	551,425.20	709,174.69	633,693.95	.00	626,905.94		
CHECKING	26,716.86	INVESTMENTS	.00	SBMMF	600,189.08	TOTAL	626,905.94
		ACCOUNTS PAYABLE	.00		.00		

FINANCIAL STATEMENTS

AS OF: 06/30/08 M I A M I - D A D E C O U N T Y P U B L I C S C H O O L S RUN DATE: 06/27/08
 PRODUCT NO. T22160401 SCHOOL INTERNAL FUNDS - ANNUAL FINANCIAL REPORT PAGE NO. 185

SPECIALIZED EDUC

SCHOOL - 9026 HOSPITALITY SERVICES

FUNDS	BEGINNING BALANCE	RECEIPTS	DISBURSE- MENT	NET TRANSFER	ENDING BALANCE
TRUST					
CONCESSIONS	.00	17,527.88	.00	17,527.88-	.00
SALES TAX	13,316.50	44,498.59	44,014.22	.00	13,800.87
UNITED WAY	.00	69.00	69.00	.00	.00
HOSPITALITY NON	.00	.00	.00	1,597.86-	1,597.86-
PETTY CASH	400.00-	.00	.00	.00	400.00-
VENDING SNACKS T	343.80	.00	.00	.00	343.80
VENDING SODA TAX	587.38	598.12	602.97	.00	582.53
TRUST	13,847.68	62,693.59	44,686.19	19,125.74-	12,729.34
GENERAL					
GENERAL MISCELLA	483,713.72	25.00	12,207.49	210,299.03	681,830.26
INTEREST	.00	29,794.68	.00	29,794.68-	.00
REGISTRATION FEE	.00	.00	145.00	145.00	.00
EQUIPMENT	.00	.00	24,058.25	24,058.25	.00
SODA VENDING	.00	8,232.58	.00	8,232.58-	.00
GENERAL	483,713.72	38,052.26	36,410.74	196,475.02	681,830.26
FOOD SERVICE					
CAFETERIA ARMORE	.00	.00	2,491.70	2,491.70	.00
REPAIRS AND MAIN	.00	.00	6,451.31	6,451.31	.00
KITCHEN UTENSILE	.00	.00	1,653.25	1,653.25	.00
CAFETERIA MISC E	.00	.00	4,426.69	4,426.69	.00
OFFICE SUPPLIES	.00	.00	3,319.81	3,319.81	.00
CASH - OVER/SHOR	195.69	165.87	.00	361.56-	.00
FOOD SALES	126,920.76	634,872.53	573,349.42	188,443.87-	.00
TAX EXEMPTED SAL	4,296.09	2,570.52	.00	6,866.61-	.00
CAFETERIA CHANGE	2,068.00-	.00	300.00	.00	2,368.00-
FOOD SERVICE	129,344.54	637,608.92	591,972.18	177,349.28-	2,368.00-
TOTAL	626,905.94	738,354.77	673,069.11	.00	692,191.60

CHECKING	63,164.08	INVESTMENTS	.00	SBMMF	629,027.52
		ACCOUNTS PAYABLE	.00	TOTAL	692,191.60

Prior Audit Findings	Follow-Up of Hospitality Services		Auditor's Comment
	Recommendations	Corrective Action by Management	
1. Bidding And Payment Procedures For Purchases Not In Compliance With District Rules	1.1. Ensure that all vendors have proper licenses for conducting business with the school system and consider using preexisting Procurement Department food contracts to ensure that the lowest prices are obtained. If a preexisting contract is not already in place, then follow the purchasing procedures established in the <i>Manual of Internal Fund Accounting</i> .	Effectively July 1, 2006, the Department of Hospitality Services will start utilizing vendors who are currently on awarded bids by the Procurement Department for the items specified in the contracted documents. However, for the items not covered by existing awards, the department will follow district's policies to receive telephone and written quotes to document purchases based upon the threshold established in the <i>Manual of Internal Fund Accounting</i> . Some of the family owned and operated vendors are not willing to pursue the district's paper work requirement, including compliance with Jessica Lunsford Act, to supply items in small quantities on a limited basis. In these cases the staff will make necessary changes to the menu items offered as part of the Hospitality Services.	See Finding No. 2. Not all vendors have food contracts in place, and quotes not included with the documentation.
	1.2. Ensure compliance with District check signing controls.	Changes in signatory authority for disbursement of funds was recommended in the audit completed in April 2005 and were implemented during the current fiscal year 2005-2006.	See Finding No. 2. Three checks did not have one of the two required signatures.

Prior Audit Findings	Follow-Up of Hospitality Services		Auditor's Comment
	Recommendations	Corrective Action by Management	
2. IMPROVEMENTS NEEDED OVER THE MANAGEMENT OF VENDING MACHINES AND CONTRACTS	2.1. Hospitality Services needs to ensure that contract agreements and general liability insurance is kept up to date and in accordance with District Procurement rules.	The Department of Hospitality Services has provided copies of the signed agreement for vending machines contracts to Procurement Management Services. Additionally, the department has secured a current Certificate of Liability Insurance for Gilly Vending.	See Finding No. 3. Vending machine contracts taken to Procurement Management; however, not reviewed. Also, General Liability, Auto Liability & Worker's Comp. insurance documentation incomplete for one vendor in 07-08 FY.
	2.2. Increase monitoring and controls over vending machine commission revenues.	The Department of Hospitality Services along with the Procurement Management Services staff is investigating the issuance of a bid based upon Access Fee Concept. This process will allow vendors to provide the district with fixed revenue for placing their machines in various locations. The department is proposing to make this change for fiscal year 2006-2007, effective July 1, 2006, to completely outsource this function by July 1, 2006.	See Finding No. 3. Vending Contracts on % commission. Access fee based agreements were not secured.

Prior Audit Findings	Follow-Up of Hospitality Services		Auditor's Comment
	Recommendations	Corrective Action by Management	
<p>3. EXPENDITURES FOR HOSPITALITY SERVICES EXCEED AVAILABLE FUNDS AND NEED TO BE BETTER CONTROLLED</p>	<p>3.1. Update current procedures to be followed and further control expenditures to align with available revenue.</p>	<p>The Department of Hospitality Services plans to have a meeting with staff from the offices of the Chief Financial Officer, Controller, Treasurer, School Board Attorney, and Office of Management and Compliance Audits to discuss the sources of revenues to be identified in a more specific form while complying with School Board Rule. In addition, the Department of Hospitality Services will establish an annual budget¹ and service plan to begin on July 1, 2006, and, effective May 15, 2006, the Department of Hospitality Services will reissue guidelines for providing Hospitality Services, including available menu choices, and further control of expenditures to align with revenues <u>by May 15, 2006 (Guidelines for providing Hospitality Services) and July 1, 2006 (Annual Budget and Service Plan).</u></p> <p>¹Pursuant to meeting, annual budget set at \$40,000.</p>	<p>See Finding No. 4. Procedures updated; however, not approved. Given the current financial difficulties of the District, consider curtailing complimentary hospitality.</p>

Prior Audit Findings	Follow-Up of Hospitality Services		Auditor's Comment
	Recommendations	Corrective Action by Management	
4. OTHER MATTERS	4.1. Training and/or certification should be provided for the two employees cited.	The next examination for assistant manager is scheduled for May 2006. Based upon the results, an assistant manager certification will be issued to the incumbent. The training material for the second employee requiring food handler certificate, is still not available due to State department's manual being out of print. As soon as the manual becomes available, the training will be conducted and certification will be secured.	Fully implemented.
	4.2. Take immediate correct action to resolve reported equipment violations.	The Department of Facilities Operations, Maintenance has issued a work order to a vendor to extend the fire suppression system for the kitchen equipment. The project is scheduled to be completed by June 1, 2006.	Fully implemented.

APPENDIX-MANAGEMENT'S RESPONSE
Office of School Facilities/Hospitality Services

MEMORANDUM

January 15, 2009

TO: Mr. Allen M. Vann, Chief Auditor
Office of Management and Compliance Audits

FROM:  Jaime G. Torrens, Chief Facilities Officer
Office of School Facilities

BY: Charles D. McMillon, Director 
Department of Hospitality Services

SUBJECT: ADMINISTRATIVE RESPONSE TO INTERNAL AUDIT REPORT OF HOSPITALITY SERVICES

BACKGROUND

The Department of Hospitality Services is located in the School Board Administration Building (SBAB) and operates dining facilities for the convenience of the M-DCPS District Office employees. This service was originally established as an on-premises dining alternative for employees to reduce the need for travel during lunchtime thereby contributing to increased productivity. In addition to the main dining facility on the seventh floor of the SBAB, another smaller satellite facility is operated in the Annex Building.

Since its inception, most personnel and utilities expenses attributed to the Hospitality Services function have been charged to the District's General Fund while revenues generated through dining room sales have covered the cost of food products, supplies and equipment. The Department of Hospitality Services was never intended to be totally self-supporting.

Hospitality Services staff members also oversee 27 District Office vending machines operated by contracted vendors and operate two vending machines located inside the SBAB dining room. Profits generated through vending machine sales fund the District Office Hospitality Account. This account covers expenses for complimentary refreshments and food services for School Board committees, meetings and other official meetings conducted in the District offices as authorized under School Board Rule 6Gx13-3D-1.022.

The following responds to findings in the Report - Audit of Hospitality Services for the three-year period July 1, 2005 through June 30, 2008.

APPENDIX-MANAGEMENT'S RESPONSE
Office of School Facilities/Hospitality Services

Page 2
January 15, 2009
Audit Response-Hospitality

Recommendation 1

In the short term consider adjusting prices and reducing costs. For the long term, coordinate with Procurement Management Services the issuance of a Request for Information in order to gain an understanding of the potential benefits of outsourcing food services at the School Board Administration (SBAB) Building and the Annex Building.

Management Response:

To increase revenues, Hospitality Services began offering hot lunch services in the Annex dining facility in December of 2005. In March, 2008, Hospitality Services adjusted over 80% of its menu prices for breakfast and lunch items. In January 2009, an average 7.5% increase for lunch entrée specials and an average 17% increase for dessert prices was effected. Hospitality Services will continue to review menu prices periodically and make adjustments to continue increasing revenue while providing services that customers expect. The Hospitality Services Director will review price adjustment recommendations with his immediate supervisor prior to implementation.

Office of School Facilities and Hospitality Services will work with Procurement Management Services to explore the feasibility of outsourcing part or all of its operations to a commercial food service vendor.

Recommendation 2.1

Hospitality Services should coordinate with Procurement Management Services to negotiate and enter into food contracts or obtain vendor quotes for items purchased not on contract. Otherwise, the purchasing procedures established in the *Manual of Internal Fund Accounting* should be followed.

Management Response:

Hospitality Services concurs with the recommendation in the Audit Report to ensure compliance with the District's purchasing and disbursement controls. Hospitality Services has reviewed all current District bids related to food service operation. Hospitality Services is currently working with Procurement Management staff to issue bids according to the *Manual of Internal Fund Accounting* procedures for goods and services required by Hospitality Services but currently not available on District bids. Hospitality Services is also working with Procurement Management staff to obtain quotes for products that do not exceed the District threshold requiring formal bidding. The Director of Hospitality Services will review with Procurement Management Services all quotes received for compliance with the District's purchasing policies.

APPENDIX-MANAGEMENT'S RESPONSE
Office of School Facilities/Hospitality Services

Page 3
January 15, 2009
Audit Response-Hospitality

Recommendation 2.2

Hospitality Services should maintain copies of food contracts, quotes and any other documentation supporting these purchases.

Management Response:

Hospitality Services now maintains in its files copies of all current M-DCPS bid awards used to make purchases related to its food service operation. The Director of Hospitality Services will be responsible for maintaining copies of all current bid awards, contracts, quotes and relevant documents in the Hospitality Services office files.

Recommendation 2.3

Ensure that all required signatures are affixed to the checks prior to processing payment.

Management Response:

Hospitality Services concurs with the recommendation in Audit Report that all signatures must be affixed to checks prior to issuance of payment. Control measures have been implemented according to the *Manual of Internal Fund Accounting* procedures to assure that all required steps are followed for payment to vendors for goods and services.

Recommendation 3.1

Procurement Management Services must strengthen the contract approval process to ensure that submitted contracts are timely reviewed and submitted to the Attorney's Office for final review and approval.

Management Response:

Hospitality Services will coordinate with Procurement Management staff in a timely manner for review and submission of all vending machine contracts. Hospitality Services has established a log to track the status of each vending machine contract it submits to Procurement Management staff for their review and approval.

Recommendation 4.1

Update and formally approve current guidelines to ensure consistency in the provision of complimentary hospitality services.

Management Response:

As noted in the Audit Report, in order to reduce cost, Hospitality Services revised the guidelines for providing complementary refreshment services. Stricter guidelines were implemented by Hospitality Services in April 2008.

APPENDIX-MANAGEMENT'S RESPONSE
Office of School Facilities/Hospitality Services

Page 4
January 15, 2009
Audit Response-Hospitality

The revised guidelines for providing complimentary services have now been approved by senior management. Guidelines will be reviewed from time to time.

Recommendation 4.2

Revisit the current \$40,000 complimentary hospitality threshold to determine whether the expenditures should be curtailed going forward.

Management Response:

It is anticipated that recent reductions in personnel assigned to the School Board Administration Complex will result in lower vending machine revenues. Consequently, to ensure expenses for complimentary services are adequately funded, Hospitality Services has set a budget for these services that is 10% below the vending machine profits during fiscal year 2007-08. This represents a reduction of nearly \$2,600 during 2008-09 for an annual budget of approximately \$23,200.

Going forward, the annual budget will be 10% below the previous year's revenues. The Director of Hospitality Services will be responsible for monitoring expenses monthly and, based on the revenues received through vending machine operations, make further reductions that may be necessary throughout the year.

Recommendation 4.3

Lists of the names of meeting attendees should be included as part of the documentation.

Management Response:

Hospitality Services shall request all names of meeting attendees to be included with request for services. The names of all meeting attendees will be kept on file with complimentary service requests. Non-compliance by any requesting department will be brought to the attention of the corresponding member of Superintendent's Cabinet for appropriate action.

Recommendation 4.4

Prepare and maintain on file price lists related to the complimentary hospitality items.

Management Response:

Hospitality Services has in its file a price list for complimentary services. The Director of Hospitality Services will periodically review with senior management the pricing structure for complementary services and make adjustments accordingly.

APPENDIX-MANAGEMENT'S RESPONSE
Office of School Facilities/Hospitality Services

Page 5
January 15, 2009
Audit Response-Hospitality

In closing, Hospitality Services management recognizes the importance of adhering to established M-DCPS purchasing guidelines and best business practices. Staff will endeavor to reduce operating costs and increase revenues while continuing to provide quality services to District Office employees and visitors.

JGT/CM:cb
M136

cc: Mr. Alberto M. Carvalho
Mr. James Dillard

APPENDIX-MANAGEMENT'S RESPONSE
Financial Services/Procurement Management Services

MEMORANDUM

January 9, 2009
JAG/M0029
JAG/995-2414

TO: Mr. Allen M. Vann, Chief Auditor
Office of Management and Compliance Audits

THROUGH: Richard H. Hinds, Associate Superintendent and Financial Officer
Financial Services 

FROM: Joseph A. Gomez, Assistant Superintendent
Procurement Management Services 

SUBJECT: **AUDIT FINDINGS OF HOSPITALITY SERVICES**

Procurement Management Services has reviewed the above-referenced audit report and is providing responses, where appropriate.

**3. Management of Vending Machines
Contracts Need Strengthening**

RECOMMENDATIONS

- 3.1 Procurement Management Services must strengthen the contract approval process to ensure that submitted contracts are timely reviewed and submitted to the Attorney's Office for final review and approval.**

Management Response:

A contract-approval process was in place to require Vending Machine Agreements to be signed by Procurement Management Services, prior to execution, in order to ensure that all requirements of the Agreement were met by the vendor and would then also be available for official recording. However, due to the negotiations of a contract with DD Marketing, Inc., for revenue-generating opportunities for beverages in vending machines district-wide, the Agreements for Hospitality were placed on hold. Inasmuch as the proposed revenues by DD Marketing, Inc. were not in the best interest of the District, the contract was rejected by the Board. Subsequent to the rejection of the marketing contract, the routing process was not completed. The Vending Machine Agreement form, which was previously approved by the Attorney's Office as to legal form and sufficiency, was fully enforceable. A log of all Vending Agreements processed will be maintained to avoid this occurrence in the future.

- 3.2 Investigate the issuance of bid based upon Access Fee Concept to have better control over commissions received.**

Management Response:

Procurement Management Services agrees with the recommendation and has met with Food and Nutrition staff to draft a bid for a fixed-fee arrangement for vending machines. This bid will also include the beverage-vending machines operated by the Hospitality Department. The specifications of the bid will include separate accounting responsibilities for Food and Nutrition and the Hospitality Department, and is scheduled to be presented for the Board's consideration in June 2009.

JAG:crf

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.

**INTERNAL AUDIT REPORT
HOSPITALITY SERVICES
JANUARY 2009**



**MIAMI-DADE COUNTY PUBLIC SCHOOLS
Office of Management and Compliance Audits
1450 N. E. 2nd Avenue, Room 415
Miami, Florida 33132
Tel: (305) 995-1318 • Fax: (305) 995-1331
<http://mca.dadeschools.net>**