



BOND ISSUE FOR 21ST CENTURY SCHOOLS

AUDIT, REVIEW AND MONITORING PLAN



**THE OFFICE OF MANAGEMENT AND
COMPLIANCE AUDITS**

January 29, 2013



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools

Alberto M. Carvalho

Chief Auditor

José F. Montes de Oca

Miami-Dade County School Board

Perla Tabares Hantman, Chair

Dr. Martin Karp, Vice Chair

Dr. Dorothy Bendross-Mindingall

Susie V. Castillo

Carlos L. Curbelo

Dr. Lawrence S. Feldman

Dr. Wilbert "Tee" Holloway

Dr. Marta Pérez

Raquel A. Regalado

January 23, 2013

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

Ladies and Gentlemen:

Pursuant to the Audit and Budget Advisory Committee's (ABAC) request for the Chief Auditor to develop a feasibility plan for the Office of Management and Compliance Audits' (OMCA) involvement in monitoring the General Obligation Bond (GOB) funds, we have prepared a plan for auditing, reviewing and monitoring the activities of the GOB funds. As stated, the plan was vetted by the ABAC, but because the GOB program is still fluid, this plan is subject to change; and the execution of the plan is contingent on the OMCA being provided sufficient resources.

Our commitment remains to monitor internal controls over the District's operations and to recommend improvements, when needed; and to safeguard the school system's assets.

Sincerely,

José F. Montes de Oca, CPA, Chief Auditor
Office of Management & Compliance Audits

BOND ISSUE FOR 21ST CENTURY SCHOOLS

EXECUTIVE SUMMARY AND INTRODUCTION

This document is prepared and presented, at the request of the Audit and Budget Advisory Committee, to outline the Office of Management and Compliance Audits' (OMCA) preliminary plan for monitoring, reviewing and auditing the activities of the District's facilities operations related to the \$1.2 billion General Obligation (GO) bond issue, which was approved by the voters of Miami-Dade County for modernizing and constructing public school facilities throughout the district.

Since the passage of the bond, the Superintendent and School Board have convened meetings and a workshop to discuss the District's implementation plan for the program. That plan includes significant oversight responsibility by OMCA.

This document presents a high-level description of our preliminary plan of involvement. The plan has been vetted with the ABAC, but because the GOB program is still fluid, this plan is subject to change. We are also aware that the successful completion of this plan is resource-dependent. To that end, the Superintendent of Schools has indicated that the needed human resources will be allocated to the Office of Management and Compliance Audits.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

BACKGROUND

On November 6, 2012, the voters of Miami-Dade County approved a referendum authorizing the School Board to issue \$1.2 billion General Obligation (GO) bonds for modernizing and constructing public school facilities throughout the District, including educational technology upgrades.

The initiative, labeled the “21st Century Schools,” is projected to have a positive economic impact; providing more than 9,000 jobs in the near-term and more than 18,000 sustainable jobs in the community. This bond initiative will naturally result in a dramatic increase in construction activity at M-DCPS.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

AUTHORITY

At the September 11, 2012, Audit and Budget Advisory Committee (ABAC) meeting, the Committee directed the Office of Management and Compliance Audits to report back to the Committee with a plan to monitor the activities funded through the 2012 GO bond proceeds to ensure accountability and proper use of the funds, in the event the referendum were to pass.

Annually, the Office of Management and Compliance Audits completes an Annual Audit Plan, based on an assessment of district-wide risks. Because of its magnitude, the “21st Century Schools Initiative” must be factored into that risk assessment. *Government Auditing Standards* (Chapter 6 and A2.02 – A2.05), issued by the Comptroller General of the United States, provide a basis for assessing the effectiveness programs.

School Board Policy 6835 establishes the responsibility of the Office of Management and Compliance Audits to perform an independent and objective evaluation of the operation of the school system.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

SCOPE AND METHODOLOGY

The scope of work anticipated by the Office of Management and Compliance Audits entails conducting independent and objective evaluations of the operation of the school facilities program for work initiated and completed using the 2012 GO bonds proceeds.

Our proposed methodology includes a two-phase approach:

1. Pre-implementation phase – Evaluate and assess the existing and newly established control structure to ensure that adequate policies, procedures, controls, safeguards and organizational structures are in place. Our objective is to ensure that the foundations of the program are on solid footing, through a properly designed control system, before contracts for construction are let. This effort will require that management provide us with written documentation of the control structure, as it is being designed, in a timely manner.
2. Implementation phase – During the implementation phase, we anticipate performing continuous monitoring of the program's activities and outcomes, and end-of-project audits of selected projects. Our objectives during this phase are to ensure compliance with the designed control system and to provide feedback on outcomes to foster accountability. Our efforts during this phase will likewise require management's full and timely cooperation.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

REPORTING TIMETABLE

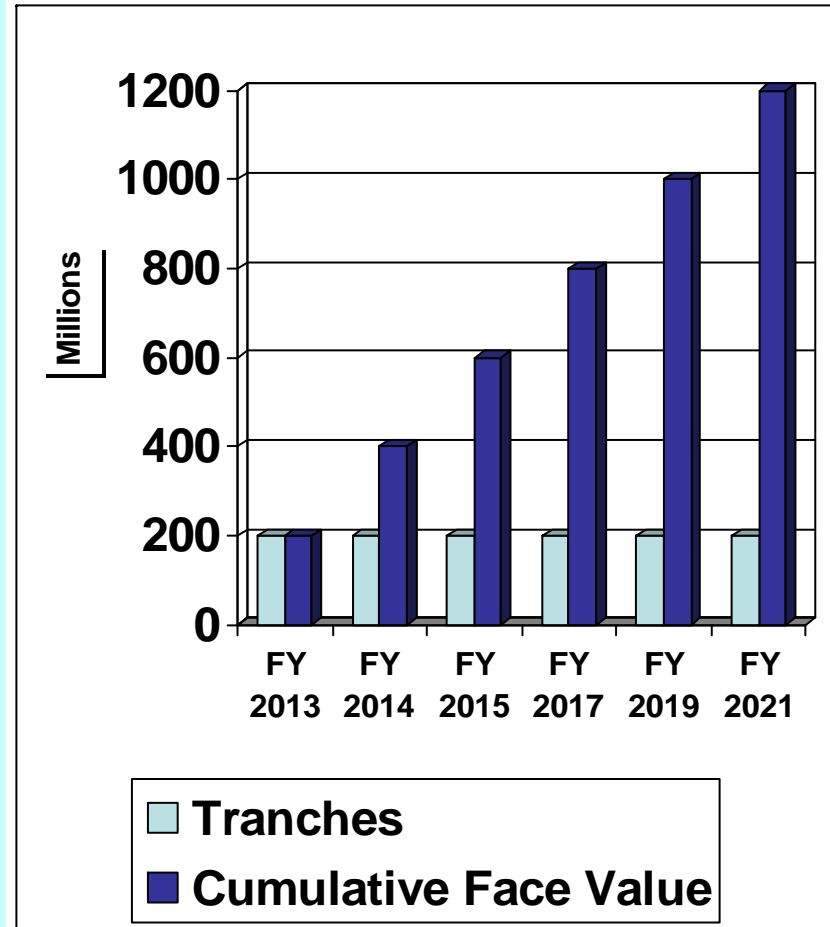
Government Auditing Standards (7.05 and 7.44), require the auditor to communicate the results of audits to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials. Upon completing each designated engagement, we plan to report our findings, conclusions and recommendations to management, the Superintendent of Schools, the School Board and the Audit and Budget Advisory Committee. The reporting to management and the Superintendent of Schools will also include unscheduled interim reports on significant matters coming to our attention, when deemed appropriate. The reporting to the School Board and the Audit and Budget Advisory Committee, will follow the meeting schedules of these two groups and will include final reports containing our findings, recommendations and management's response.

We envision commencing our fieldwork and reporting on the activities of this initiative, as necessary, as the Superintendent's GOB Capital Plan is rolled out. However, our execution of this plan or a revised plan is contingent on the allocation of the required human resources.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

\$1.2 Billion Bonds Will Help:

- Enhance the safety & security of school buildings
- Renovate & upgrade every school
- Guarantee technology equity across all schools
- Provide transparency & confidence through citizen advisory & oversight committees
- Reflect community input while minimizing the burden on taxpayers
- Promote greater public / partnership



BOND ISSUE FOR 21ST CENTURY SCHOOLS

- Auditable Deliverables of \$1.2B Bonds
 - Effective internal, management and cost controls
 - Renovation or upgrading of schools
 - Equity in technology for schools
 - Transparency of the program's activity
 - Project delivery and accountability
 - Recommendations and Effective Practices – Follow-up

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverables

- Effective internal, management and cost controls
- Renovation or upgrading of schools
- Equity in technology for schools
- Transparency of the program's activity
- Project delivery and accountability
- Recommendations and effective practices – Follow-up

Auditable Deliverables	Pre-Implementation Phase	Implementation Phase
Effective internal, management and cost controls		
Renovation or upgrading of schools		
Equity in technology for schools		
Transparency of the program's activity		
Project delivery and accountability		
Recommendations and effective practices – Follow-up		

Note: The blue bars above indicate the phase in which audit/review efforts relating to the deliverable will occur.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Effective internal, management and cost controls

- Risk: 1) An adequate system of internal controls, including policies and procedures, is not in place to timely prevent or detect material errors, ineffective processes, waste, abuse or noncompliance with contracts.

Planned Approach:

- Evaluate the policies, procedures and processes established for managing the program, including:
 - Project/contract award
 - Controlling costs
 - Assessing the progress of project
 - Monitoring of project/contract
 - Conflicts of interest

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Effective internal, management and cost controls
(continued)

Planned Approach (continued):

- Assess compliance with policies, procedures and processes
- Review standard construction contracts for exposure to risks
- Evaluate the system in place to resolve instances of noncompliance, nonperformance and unethical behavior.
- Periodic review of ongoing project expenditures, budget and schedule
- Report findings, recommendations and management's response, including the current status of prior audit recommendations

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Renovation or upgrading of schools

- Risk: All schools in the District might not receive the promised modernization or technology upgrades

Planned Approach:

- Assess the completeness of the initial project list
- Assess change management policies for the list of projects
- Ongoing monitoring of the project list/inventory
- Report findings, recommendations and management's response, including the current status of prior audit recommendations

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Equity in technology for schools

- Risks: 1) All schools in need might not receive appropriate and comparable technology upgrades; 2) Adapted technology deemed outdated due to untimely deployment to schools.

Planned Approach:

- Criteria are established for determining technology needs
- Criteria are followed with consistency
- Timely and equitable distribution of resources
- Report findings, recommendations and management's response, including the current status of prior audit recommendations

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Transparency of the program's activity

- Risks: 1) Systems and processes are either not in place or are inadequate to accurately capture and report program information; 2) The public does not have access to accurate program information.

Planned Approach:

- Mechanism in place for accurate reporting of project milestones/status, budget and cost information and accessible to the public
- Project data collection and reporting system capable of accurately reporting project information by school and region
- Report findings, recommendations and management's response, including the current status of prior audit recommendations

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Project delivery and accountability

- Risks: 1) Planned projects are either not delivered or completed late, over budget, defective and with elements of waste or abuse; 2) The occurrence of fraud in executing the construction contracts.

Planned Approach:

- Project closeout audits
 - Assess the delivery of project according to schedule, budget and cost
 - Expenditures review and compliance assessment
 - Compare projects completed among regions
- Report findings, recommendations and management's response, including the current status of prior audit recommendations

BOND ISSUE FOR 21ST CENTURY SCHOOLS

Auditable Deliverable:

Recommendations and Effective Practices – Follow-up

- Risks: 1) Prior audit recommendations are not implemented by management. 2) Management has not embraced and implemented identified effective practices.

Planned Approach:

- Follow up on the implementation of previously issued audits recommendations and identified effective practices
- Assess the effectiveness of the processes and practices followed in program. (“What works,” “What does not work,” and “Lessons Learned”)
- Report on the current status of prior audit recommendations and the effectiveness of processes and practices employed

BOND ISSUE FOR 21ST CENTURY SCHOOLS

SCHOOL BOND ADVISORY COMMITTEE

The Superintendent of Schools has established the 21st Century School Bond Advisory Committee (SBAC), an oversight committee, consisting of 23 voting members, including one representative appointed by each School Board member, the Chair of the Audit and Budget Advisory Committee, two at-large members appointed by the Superintendent of Schools and 11 members from various community organizations. In addition, the SBAC has six ex-officio non-voting members from the District and district-affiliated groups (Chief Facilities Officer, Chief Financial Officer, Chief of Staff, Chief Auditor, the Inspector General, and a representative of the Student Government Association) and two ex-officio non-voting members, one each from the Dade Delegation of the Florida Senate and House of Representatives. The role of the Committee is to closely oversee the use of the funds obtained through the GO bond issue.

To avoid impairment to his personal independence and the independence of the Office of Management and Compliance Audits, and to comply with *Government Auditing Standards* 3.02-3.06, the Chief Auditor will serve on the 21st Century School Bond Advisory Committee in an advisory (non-voting) capacity.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

SCHOOL BOARD AUDIT & BUDGET ADVISORY COMMITTEE

School Board Policy 6840 states, “The Audit and Budget Advisory Committee's goals are to assist in: (A) strengthening accountability for the stewardship and efficient and effective use of School District funds; (B) maintaining transparency of the District's financial and business operations; and (C) promoting an adequate system of internal control.”

As such, the Audit and Budget Advisory Committee, as a whole and through its representative on the SBAC, is expected to have an important role in ensuring the School District carries out its fiduciary responsibility over the GOB funds, with all faithfulness. This would be accomplished through the Committee’s monitoring of the program’s activities via its review of audit reports and other reports that will be provided by the administration, and the Committee’s attendant recommendations to the School Board.

BOND ISSUE FOR 21ST CENTURY SCHOOLS

ASSESSMENT OF FRAUD RISK

Professional standards require that we assess the risk of fraud occurring that is significant within the context of our audit objectives, and when we have identified factors or risks of fraud that have occurred or are likely to occur, to design procedures to obtain reasonable assurance of detecting any such fraud. Our work, however, does not guarantee that fraud committed will be detected.

We will plan and design our review and audit procedures accordingly, including brainstorming among members of our review/audit team and direct inquiry of management, the Office of the Inspector General (OIG) and contracted parties concerning known or suspected instances of fraud and factors that could lead to fraudulent activity.

It is anticipated that the OIG will be involved in the monitoring of the activities relating to the GO bond. To the extent it does, we will collaborate with the OIG, when appropriate, in executing our review/audit plan.