

Miami-Dade County Public Schools



Internal Audit Report

Audit of the District's General Obligation Bond (GOB) Expenditures for Fiscal Year 2019-20, Allowances/Contingencies and Follow-up on the External Midpoint Audit



GOB Expenditures for FY 2019-20 are fairly presented, in all material respects. A recommendation was provided to clarify procedures relating to allowances and contingencies, and remaining items from the External Midpoint Audit are now fully implemented.

MAY 2021

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Mrs. Perla Tabares Hantman, Chair

Dr. Steve Gallon III, Vice Chair

Ms. Lucia Baez-Geller

Dr. Dorothy Bendross-Mindingall

Ms. Christi Fraga

Dr. Lubby Navarro

Dr. Marta Pérez

Ms. Mari Tere Rojas

Ms. Luisa Santos

Superintendent of Schools

Mr. Alberto M. Carvalho

Office of Management and Compliance Audits

Ms. Maria T. Gonzalez, CPA

Chief Auditor

Contributors to This Report:

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Ms. Patricia Tumelty, MBA





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
Maria T. Gonzalez, CPA

Miami-Dade County School Board

Perla Tabares Hantman, Chair
Dr. Steve Gallon III, Vice Chair
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Christi Fraga
Dr. Lubby Navarro
Dr. Marta Pérez
Mari Tere Rojas
Luisa Santos

April 26, 2021

Ladies and Gentlemen:

We performed this audit in accordance with the approved 2020-21 Fiscal Year Audit Plan and pursuant to action item 5 of agenda H-10 Revised *Accounting, Reporting, Auditing, and Transparency of General Obligation Bond Expenditures* that was approved by the School Board at its November 15, 2017 meeting.

Our audit determined that General Obligation Bond (GOB) expenditures reported at \$85,961,821 for the fiscal year ended June 30, 2020, present fairly, in all material respects, District GOB expenditures for said period, in conformity with accounting principles generally accepted in the United States.

This report contains a finding and corresponding recommendation to clarify certain procedures in the approval of allowance and contingency adjustments.

Also, our follow-up to the District's three remaining corrective actions to findings, observations and recommendations from the external audit of the midpoint of the GOB funded School Improvement Program disclosed that the remaining three of six agreed-upon corrective actions have been fully implemented.

We would like to thank the management and staff of the Office of School Facilities for their cooperation and courtesies extended to our staff during this audit.

Sincerely,

Maria T. Gonzalez, CPA
Chief Auditor
Office of Management and Compliance Audits

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EXECUTIVE SUMMARY

The objectives of this audit were to (1) test and opine on the reporting of District General Obligation Bond (GOB) expenditures incurred for the Fiscal Year (FY) ended June 30, 2020; (2) determine compliance with the District's policies & procedures for approving GOB allowances and contingencies and; (3) conduct a follow up on the three previously unresolved findings, observations, and recommendations from the May 2019 external audit of the midpoint of the GOB funded School Improvement Program.

Regarding the first objective, a schedule of GOB expenditures by cost category totaling \$85,961,821 for the year ended June 30, 2020, was presented to us by the District administration in January 2021.

In our opinion, the schedule of GOB expenditures referred to above presents fairly, in all material respects, District GOB expenditures for the fiscal year ended June 30, 2020, in conformity with accounting principles generally accepted in the United States, including proper cost category and project/location classifications (Refer to pages 6 and 7).

As to the second objective relating to determination of compliance with District's policies and procedures for approving allowances and contingencies, based on our findings, a recommendation was provided to enhance the clarity of the procedures as it relates to requesting three (3) competitive bids at the time of pricing adjustments or placing on file a written justification when a minimum of three (3) bids cannot be obtained (Refer to pages 8 and 9).

To address the third objective, we followed up on the external GOB's midpoint audit's three findings and three observations, and their corresponding recommendations that were pending full implementation of corrective action since our prior GOB Audit Report issued in February 2020. Our follow up testing disclosed that the remaining three of the six agreed upon recommendations/corrective actions have been fully implemented (Refer to table on page 11).

Management's responses to the audit results and conclusions are included in memorandum format as received by our office in Appendix C on page 17.

BACKGROUND

In November 2012, the voters of Miami-Dade County approved a referendum authorizing the School Board to issue \$1.2 billion General Obligation Bond (GOB) for modernizing and constructing public school facilities throughout the District, including educational technology upgrades. The bonds are secured by the full faith and credit and ad-valorem taxing power of the District. Total GOB expenditures and projects completed since the Program's inception were \$825,603,991 and 860 respectively, for the eight years ended June 30, 2020.¹

During the School Board meeting of November 15, 2017, agenda item H-3 was approved authorizing an external audit/review of the midpoint of the GOB funded School Improvement Program. A Request for Proposals was issued by the District, and the accounting firm of S. Davis and Associates, P.A. was selected and contracted to perform the audit.

The resulting audit, covering fiscal years 2013 through 2018 and reviewing approximately \$625 million in expenditures, was discussed by the Audit and Budget Advisory Committee (ABAC) at its May 14, 2019, meeting and transmitted to the School Board for inclusion on the June 19, 2019, meeting agenda. The midpoint audit's objectives and scope required the external audit firm to provide determinations, verifications and evaluations associated with 16 tasks that were derived from an ABAC sub-committee and approved by the full ABAC and the School Board. The midpoint audit resulted in three findings and three observations, and their corresponding recommendations associated with three of the 16 tasks. The remaining 13 tasks had no findings or recommendations identified.

In addition to the external GOB audit, during the School Board meeting of November 15, 2017, the Board approved agenda item H-10 Revised *Accounting, Reporting, Auditing, and Transparency of General Obligation Bond Expenditures*. Action item 5 of agenda H-10 directs the Superintendent to "continue to work with the Chief Auditor to ensure and facilitate the conducting of an audit of GOB expenditures to date by each cost category and related projects and subsequent annual audits through the expenditures of all remaining GOB funds."

In commencing this audit, we requested, and the District administration provided us with, a schedule of GOB expenditures by cost category representing total GOB expenditures for the year ended June 30, 2020, as well as a listing of allowances and contingencies processed between 2018 and 2020. This audit included the objectives of testing and opining on the reporting of District GOB expenditures for the Fiscal Year ended June 30, 2020, and on compliance with District policies and procedures regarding allowances and contingencies for the above years. As previously stated, this audit also followed up on corrective actions related to the external GOB midpoint audit that were pending full implementation as of our last GOB audit report.

¹ The total GOB expenditures of \$825,603,991 since the Program's inception is presented in the final FY 2019-20 21st Century Schools Bond Advisory Committee Annual Report issued in December 2020. Said committee was established to review and monitor the Program in May 2013 through School Board Policy 9145.

OBJECTIVES, SCOPE AND METHODOLOGY

The objectives of this audit were to:

1. Test and opine on the reporting of District GOB expenditures for the Fiscal Year ended June 30, 2020 as to their conformity with accounting principles generally accepted in the United States, including proper cost category and project/location classifications.
2. Determine compliance with the District's policies and procedures for approving GOB allowances and contingencies.
3. Follow-up on findings/observations and recommendations from the May 2019 external audit of the midpoint of the GOB funded School Improvement Program and provide a status of the three-remaining agreed-upon corrective actions/implementation of recommendations.

The scope of the audit for the first objective was expenditures made during FY 2019-20; for the second objective was for allowances and contingencies processed between 2018 and 2020; and for the third objective was the status of corrective actions as of January 2021.

Audit procedures included:

- Reviewing applicable statutes, policies, procedures, reports and Board agenda items;
- Interviewing various staff of the Office of School Facilities and other related departments;
- Obtaining and reviewing schedules of GOB expenditures provided by the Administration;
- Conducting walk-throughs and observing various controls and processes;
- Reconciling FY 2019-20 GOB expenditures between and among the District's accounting system (SAP) reports, the Comprehensive Annual Financial Report and the 21st Century Schools Bond Advisory Committee reports;
- Performing various substantive testing of GOB expenditures including tests related to occurrence, completeness, accuracy, cutoff and classification;
- Inspecting documentation supporting the proper approval of payment requests and invoices;
- Visiting a sample of three schools, one from each region, and inspecting capital improvements and/or technology upgrades corresponding to sampled expenditures;
- Tracing a sample of capital improvements and/or technology upgrades observed at the schools to the expenditures recorded in the District's accounting records and corresponding reports;

- Verifying Technical Review Committee dates for each allowance and contingency to the minutes and Board approvals for the construction managers used on the projects;
- Confirming that each of the Forms 5455 (Change Order to Contract or GMP/Adjustment to GMP Contingency) and 7559 (GMP Miscellaneous CM at Risk Change Order Item Input Form) were completed for each allowance and contingency amount;
- Tracing each allowance and contingency amount to the three-bid supporting documentation or written justification if three bids were not used; and
- Conducting follow-up testing of agreed-upon corrective actions of findings/observations and recommendations of a past external audit report.

Sampling Methodology

A stratified random sample of our primary test of expenditures was used and comprised 60 pay requests/invoices totaling approximately twelve (12) million dollars or 14 percent of total expenditures incurred in FY 2019-20. Judgmental sampling was used for other expenditures testing including cutoff testing and inspection of capital improvements and/or technology upgrades.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States of America Government Accountability Office (GAO). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS AND CONCLUSIONS

Objective 1

Test and opine on the reporting of District GOB expenditures for the Fiscal Year ended June 30, 2020 as to their conformity with accounting principles generally accepted in the United States, including proper cost category and project/location classifications.

The following schedule of GOB expenditures by cost category, totaling \$85,961,821 for the year ended June 30, 2020, was presented to us by the District administration in January 2021.

| GOB Expenditures by Cost Category FY 2019-2020 | | | |
|--|-------------------------|------------------------|-----------------------------|
| Cost Category Group Description | Facilities | Technology | Total Expenditures |
| Construction & Preconstruction Services | \$ 45,492,981.43 | \$ 129,978.64 | \$ 45,622,960.07 |
| Direct Purchase of Construction Materials | 16,251,320.23 | | 16,251,320.23 |
| Architectural Engineering Services | 6,572,132.64 | | 6,572,132.64 |
| Maintenance Managed Projects | 5,162,977.13 | | 5,162,977.13 |
| Furniture Fixtures & Equipment | 2,891,338.12 | 1,344,756.30 | 4,236,094.42 |
| Abatement/Overhead | 3,170,837.72 | | 3,170,837.72 |
| Program Management Services | 3,166,379.36 | 104.94 | 3,166,484.30 |
| Environmental Services | 853,850.09 | | 853,850.09 |
| Building Code Compliance Services | 837,166.04 | | 837,166.04 |
| Builders Risk Insurance | 619,593.27 | | 619,593.27 |
| Software | | 319,681.00 | 319,681.00 |
| Custodial Reimbursement | 69,185.21 | | 69,185.21 |
| Photography Services | 54,590.00 | | 54,590.00 |
| Advertising | 54,406.91 | | 54,406.91 |
| Printing Services | 51,582.94 | | 51,582.94 |
| Miscellaneous (e.g., Fire Watch, Rekeying, Security Services, Signs) | 41,374.42 | | 41,374.42 |
| Scheduling | 30,587.66 | | 30,587.66 |
| Rental/Lease of Modular Units | 19,611.24 | | 19,611.24 |
| Survey Services | 19,161.09 | | 19,161.09 |
| Utility Services | 17,738.33 | | 17,738.33 |
| Print Media | 16,543.13 | | 16,543.13 |
| Legal Services | 15,918.57 | | 15,918.57 |
| Test and Balance | 6,651.50 | | 6,651.50 |
| Roofing | 5,656.23 | | 5,656.23 |
| Reimbursement | 1,800.00 | | 1,800.00 |
| Government Requirement | 616.10 | | 616.10 |
| P/A Systems Services | (1,256,699.26) | | (1,256,699.26) ² |
| Total Expenditures | \$ 84,167,300.10 | \$ 1,794,520.88 | \$ 85,961,820.98 |

² This credit represents a portion of a security grant applied against FY 2020 General Obligation Bond (GOB) expenditures and therefore, represents expenditures to that grant rather than GOB funds.

Audit Opinion

We have audited the above schedule of GOB expenditures for the fiscal year ended June 30, 2020. The District administration is responsible for the preparation and fair presentation of the schedule of GOB expenditures. Our responsibility pertaining to this audit objective is to express an opinion on said schedule based on our audit. We believe the audit evidence we have obtained and the tests and procedures we have performed are sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the schedule of GOB expenditures referred to above presents fairly, in all material respects, District GOB expenditures for the fiscal year ended June 30, 2020, in conformity with accounting principles generally accepted in the United States, including proper cost category and project/location classifications.

1.0 FINDING AND RECOMMENDATION

1.1 None.

Objective 2

Determine compliance with the District's policies and procedures for approving GOB allowances and contingencies.

FINDING:

2.0 Clarification Regarding Written Approval Of Allowances And Contingencies Is Needed In The M-DCPS Specification Guide

Allowances and contingencies are estimates included in the awarded Guaranteed Maximum Price (GMP). Allowances are items that have been identified and included as part of the scope but did not have the cost information established. The allowance amount is based on an estimate from the construction manager (CM) or the architect. Contingencies, on the other hand, are funds set aside for unforeseen expenses that were not anticipated and were not part of the scope. An example of a contingency could be an ancient burial ground found at the construction site which would require additional funding to resolve.

The M-DCPS Specification Guide on contingencies and allowances dated January 3, 2011, states that "Unless otherwise approved by the Board, the contractor shall obtain a minimum of three (3) competitive bids or proposals at the time of actual pricing of all Contingency [and Allowance] Adjustments. Contractor shall include with Contractor's proposal written justification when three (3) competitive bids cannot be obtained".

We reviewed School Board policies, procedures, and specification guidelines to determine whether they are current and clearly delineated. As part of our testing, for the approximate two-year period ending in Fiscal Year 2020, we reviewed fifteen (15) contingency adjustments and ten (10) allowance adjustments and found that none of the items reviewed had evidence of three bids, written justification for the three bids that were not obtained, nor School Board approval.

When supporting documentation was requested, the Office of School Facilities Management provided us with evidence found in the standard contract for construction supporting that, for purposes of the bid requirements stated above, approval by the Technical Review Committee (TRC) satisfies the School Board approved criteria. However, this explanation is not included in the District's M-DCPS Specification Guide on contingencies and allowances.

RECOMMENDATION

- 2.1 The Administration should amend its M-DCPS Specification Guide to align with the language specified in the General Conditions of the Contract for Construction to reflect that the TRC is an authorized representative of the School Board for purposes of approval of allowance and contingency adjustments when three (3) bids are not obtained.**

Responsible Department:

The Office of School Facilities

Management's Response:

As it relates to the determining compliance with the district's policies and procedures for approving GOB allowances and contingencies. Please note that all documentation required for reviews, approvals and approval authority related to changes in the work which include allowances and contingencies are clearly delineated in Article 7 of the general conditions of the contract for construction. We concur with the assessment and rationale for amending the master specification guide to clearly align with the language specified in the General Conditions of the Contract for Construction.

All the allowances and contingencies reviewed by the OMCA were reviewed, processed, and approved in accordance with the General Conditions of the Contract for Construction. Attached please find the updated specification guides (exhibit 1 and 2)³ including the revised language pertaining to approval of each respectively.

³ Please see exhibit 1 on page 19 and exhibit 2 on page 21.

Objective 3

Follow up on the three previously unresolved findings/observations and recommendations from the May 2019 external audit of the midpoint of the GOB funded School Improvement Program and provide a status of agreed-upon corrective actions/implementation of recommendations.

As previously noted in the Background section of this report, the midpoint audit resulted in three findings (tasks 3.6 and 3.13) and three observations (tasks 3.9 and 3.13), and their corresponding recommendations associated with three of the 16 tasks. The remaining 13 tasks had no findings or recommendations identified.

As the following table details, our follow-up testing disclosed that the remaining three of the six agreed-upon recommendations/corrective actions have been fully implemented. Three of the six had previously been implemented as of December 2019, and it was noted as such in our prior GOB Audit issued in February 2020 (Refer to the table on page 11).

3.0 FINDING AND RECOMMENDATION

3.1 None.

**Status of the three remaining Agreed-Upon Recommendations (as of January 13, 2021) from the
GOB External Midpoint Audit Issued in May 2019**

| Task | Finding/Observation | Recommendation | Management Response | Status of Implementation | Level of Implementation |
|-------------|---|---|---|--|--------------------------------|
| 3.6 | We noted that some of the dates that appeared on the dashboard were out of sequence or did not appear to match the type of project that was defined. | The initial template data should be reviewed and revised, as necessary, to ensure that data fields applicable to a project's scope were accurately populated, i.e., Bond Program funding used for construction should only have the "construction" field populated. For assigned or commissioned projects, the same should be done, but with the actual dates scheduled based on the project phasing process. | Office of School Facilities (OSF) concurs with the recommendations and is presently reviewing ways to further automate the updating process, given the very large number of projects in play at any given time. | Our testing confirmed the project milestone dates were properly sequenced and consistently supported documentation. | Fully |
| 3.13 | We requested and received copies of policies and procedures related to the processing and payment of program expenditures. All except one of the procedures and forms was outdated. | Procedures and forms should be reviewed and updated on a periodic basis. | OSF agrees with these process improvements and will implement them for all projects going forward. | OSF has revised 17 forms since the completion of the S. Davis audit in April 2019 through December 2020. These forms along with the related updated procedures are currently being utilized. | Fully |
| 3.9 | District staff did not have forms to report performance issues or incidents of non-compliance in the workplace by the Program Manager (WSP) placements. | Some level of formality should be established for District staff to report performance issues or incidents of non-compliance in the workplace by WSP placements. | OSF has no objections to creating a form to achieve this goal and has already discussed with WSP. | A form titled "Performance Documentation" has been created and is being utilized by District staff to report performance issues by WSP staff. | Fully |

Appendix A

Dr. Steve Gallon III, Board Member

Co-Sponsors: Ms. Susie Castillo, Board Member
Ms. Maria Teresa Rojas, Board Member } Added

**SUBJECT: ACCOUNTING, REPORTING, AUDITING AND TRANSPARENCY OF
GENERAL OBLIGATION BOND EXPENDITURES**

COMMITTEE: FACILITIES AND CONSTRUCTION

**LINK TO STRATEGIC
BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

On November 6, 2012, nearly 70% of voters in Miami-Dade County supported a measure on the ballot to invest in their local public schools by approving the issuance of a \$1.2 billion General Obligation Bond (GOB) for the Miami-Dade County Public Schools (M-DCPS). This investment was explicitly earmarked for renovating facilities, updating technology, building school replacements, expanding student capacity, and enhancing facility safety. The last such measure to invest in facility enhancements of M-DCPS' public schools was approved over two decades prior in 1988.

In addition to providing the long-term capital needed by the District which was to be repaid over time, the GOB promised to *"create 9,200 jobs during the first three years of the bond and more than 18,000 sustainable jobs during the course of construction."* Thus, employment and economic development opportunities were proffered not simply as tangential benefits of the GOB, but as one of the fulcrums for soliciting and gaining community support, and subsequent voter approval. This premise of employment and economic development was further confirmed by M-DCPS' retention of the Washington Economics Group (WEG) to provide an independent and professional analysis estimating the economic impacts and economic development benefits that could be generated by the General Obligation Bond (GOB).

Since the implementation of the GOB program, M-DCPS has successfully launched an ambitious program of technology upgrades and enhancements, facility renovations and repairs, and new school construction. The scope of the work associated with the GOB has been reported to be timely, at or below budget, and at a standard of high design and construction quality that the District and community should be proud. However, the promises and commitments of the GOB were not circumscribed to the delivery of technology, facility enhancements, and new school construction. They also included promises and commitments to principles and practices of accountability and transparency in areas that included but were not limited to inclusion, contracting, procurement, and financial expenditures.

To date, GOB expenditures and contracted work in M-DCPS has exceeded \$500 million with more than 148 projects completed and of which \$85 million having been spent on technology purchases alone. An additional \$86 million is presently under contract and, according to the presentation made at the School Board General Obligation Bond Workshop held on October 25, 2017, there are approximately \$665 million additional dollars to be expended on subsequent GOB projects.

Despite such expenditures and additional contractual commitments made, there has not been a comprehensive annual audit of expenditures and policy compliance provisions for the GOB.

**Revised
H-10**

At the October 10, 2017 Meeting of the Audit and Budget Advisory Committee Meeting, it was determined that an annual audit of the GOB would be recommended to the Board. The conducting of an Annual Independent Financial Audit of the GOB would serve to provide a review and accounting of expenditures related to the GOB as well as support best practices that included but are not limited to the following:

- Ensuring compliance with legal requirements, best practices and internal controls;
- Conducting a periodic review of internal controls;
- Facilitating ongoing monitoring of the effectiveness of internal control;
- Providing for effective provision of information and communication to the public; and
- Reviewing the maintenance of records, including but not limited to material documents relating to capital expenditures financed, construction contracts, invoices, payment records, assets or portion of assets financed, etc.

Lastly, the implementation of an improved process for accounting, reporting, and auditing of all expenditures of GOB funds should be augmented with an intentional, and innovative strategy and structure to engage the public and garner and maintain its confidence and trust. A technology-based plan and program to provide for ease of access to information regarding levels of GOB inclusion and financial expenditures would support the achievement of this effort.

This item has been reviewed and approved by the School Board Attorney's office as to form and legal sufficiency.

**ACTION PROPOSED BY
DR. STEVE GALLON III:**

That The School Board of Miami-Dade County, Florida directs the Superintendent to:

1. establish a system and structure for quarterly reporting of GOB expenditures to the Board by each cost category and related project;
2. provide an expenditure report for all GOB expenditures to date by each category, school board voting district, and school name, and provide same to Board on a quarterly basis;
3. establish and implement a process and system to report all GOB expenditures by each category and related projects for public access and review on the District and specific school location website to be updated quarterly and in alignment with the timeline that the Board receives the same;
4. provide a summary report of the names and amounts paid to each vendor/contractor and sub-contractor to date and a subsequent quarterly report regarding same to the Board. This information is also to be made available for public access and review on the District website;
5. continue to work with the Chief Auditor to ensure and facilitate the conducting of an audit of GOB expenditures to date by each cost category and related projects and subsequent annual audits through the expenditure of all remaining GOB funds; and
6. provide an update on the status and/or completion of the above actions to the Board at the School Board Meeting of February 21, 2018.

Appendix B

Ms. Maria Teresa Rojas, Board Member

Co-sponsor: Dr. Steve Gallon III, Board Member } Added

SUBJECT: REQUEST AUTHORIZATION FOR THE SCHOOL BOARD TO APPROVE THE PROCESS FOR THE DEVELOPMENT OF AN INDEPENDENT AUDIT/REVIEW OF THE GENERAL OBLIGATION BOND (GOB) FUNDED SCHOOL IMPROVEMENT PROGRAM } R
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COMMITTEE: FACILITIES AND CONSTRUCTION

LINK TO STRATEGIC BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES

For decades, educators have contended that the physical condition of schools have an effect on continuous student learning and enriched academic achievement. Principals, teachers, and students are constantly being held accountable for their performance in state-mandated tests, but it is reasonably challenging to devote all the instructional time to actual teaching when many of our educators are faced with antiquated and ineffective facilities in the 21st century. Furthermore, recent research associates school facility upgrades to an extensive range of impacts, including student attendance and productivity, teacher job satisfaction and retention, enhanced residential property values, equity across all communities and stakeholders, and the detrimental impact on students' basic health from poorly maintained buildings.

In August, 2012, the Washington Economics Group (WEG), retained by Miami-Dade County Public Schools (M-DCPS), provided an independent analysis approximating the economic impacts and economic development benefits that could be generated by the capital expenditures program theoretically funded under the proposed GOB program at the time. The report provided many constructive ideas and data supporting the GOB, including some of the following:

- Economic impacts arising from the Capital Projects funded by the GOB is expected to generate economic effects estimated to sustain 18,436 jobs during the course of the investments attributed to capital improvements to modernize the facilities and purchase and deploy new teaching technologies.
- The number of permanent jobs arising from the improved educational outcomes is estimated to be significant at 7,521.
- The Capital Projects are expected to generate over \$877 million in labor income.
- When the capital projects funded by the GOB are completed, significant benefits, both quantifiable and non-quantifiable, will accrue to the community on an ongoing basis.

On November 6, 2012, M-DCPS asked Miami-Dade County voters to invest in their schools by approving the issuance of \$1.2 billion in General Obligation Bond (GOB) for renovating facilities, updating technology, building school replacements, expanding student capacity, and enhancing facility safety. Miami-Dade County voters responded positively by approving and supporting the measure by nearly 70%.

Many of the school projects funded under the GOB have been completed and stakeholders are enjoying the many renovations and upgrades that have been finalized. As of September, 2017, GOB expenditures totaled approximately \$512.5 million (\$84.6 million for technology and \$427.9 million for facilities), with another \$86.1 million contracted.

The Board, in its wisdom, approved Board Policy 9145 on May 8, 2013, constituting the *21st Century Schools Bond Advisory Committee*. The Committee was formed to provide transparency and instill confidence in Miami-Dade County taxpayers that projects funded by the Board's GOB Program are being delivered in a timely manner, are equitably distributed across the community, and investments are being made supporting the local community. The Committee is to be commended for faithfully honoring its duties and responsibilities as promised by the School Board to the voters and residents of Miami-Dade County.

Furthermore, M-DCPS Office of Management and Compliance Audits has completed the first GOB audit of 65 financially closed projects for years one and two. The audit was limited in scope and the general objectives were to validate the accuracy of the information contained in a spreadsheet provided to the auditors and the utilization of contractors who worked on said projects, based on amounts paid to them. The Office of Management Audits is also going to audit various elements of the award, design, and construction processes for selected projects to determine whether adequate internal and management controls are being implemented. Audit findings will be submitted to the Audit and Budget Committee and the School Board. Still, questions continue to be raised by some members of the community as to the financial aspects and the economic and labor impact the GOB has had on all the citizens of Miami-Dade County.

As we approach the mid-point of the GOB program, and in as much as some aspects of the GOB are being audited, the best approach to reassure the citizens of Miami-Dade County that all facets of the GOB have been conducted as promised to all stakeholders is for the School Board to authorize the process for the development of a mid-point independent audit/review to include, but not limited to, the following areas:

} Revised

- a comprehensive review of the financial activities and operational aspects; } Revised
- vendor participation benefiting the Miami-Dade County community;
- economic impact to the labor market from the implementation of the GOB;
- permanent jobs in the local community arising from the GOB;
- economic impact on M/WBE owned firms and businesses;
- future labor market influence of the GOB to the local community; and
- economic impact on small and micro enterprise businesses.

This item has been reviewed and approved by the School Board Attorney's office as to form and legal sufficiency.

**ACTION PROPOSED BY
MS. MARIA TERESA ROJAS:**

That The School Board of Miami-Dade County, Florida,

1. approve the process for the development of a mid-point independent audit/review of the General Obligation Bond (GOB) funded School Improvement Program;
2. authorize the Chief Auditor to define the scope, timelines, and final cost estimate not to exceed \$200,000, allowable under the GOB, for the selection of an independent auditing firm, pursuant to School Board Policy 6320 in a manner consistent with the selection of external independent auditors;
3. authorize the Chief Auditor to present to the School Board Audit and Budget Committee the scope of the proposal, and to present said scope to the School Board for approval;
4. present the award of the selected firm to the Audit and Budget Committee and to the School Board for final approval, pursuant to School Board Policy 6320, following the competitive solicitation process; and
5. after final School Board approval, direct the Chief Auditor to provide quarterly progress reports to the School Board starting January 17, 2018, and thereafter.

Revised

Appendix C

Management's Response

MEMORANDUM

April 23, 2021

TO: Ms. Maria T. Gonzalez, Chief Auditor
Office of Management and Compliance Audits

FROM: Raul F. Perez, Chief Facilities Design and Construction Officer
Office of School Facilities



SUBJECT: MANAGEMENT'S RESPONSE TO AUDIT REPORT – DISTRICT'S GOB EXPENDITURES FOR FISCAL YEAR 2019-20, ALLOWANCES/ CONTINGENCIES AND FOLLOW-UP ON THE EXTERNAL MIDPOINT AUDIT

We would like to thank the Office of Management and Compliance Audits (the "OMCA") for performing the Audit of the District's GOB Expenditures for Fiscal Year 2019-20, Allowances/ Contingencies and the follow-up review of the external GOB midpoint audit completed by S. Davis and Associates. Below please find our response to your draft Audit Report ("Report"):

Objective 1

- We fully concur with the audit opinion identified on page 7 of the Report, which encompasses the key financial elements of the GOB program's implementation, and which merit repeating for context:
 - The GOB expenditures audited "presents fairly, in all material respects, District GOB expenditures for the fiscal year ended June 30, 2020, in conformity with accounting principles generally accepted in the United States, including proper cost category and project/ location classifications."

Objective 2

- As it relates to the determining compliance with the district's policies and procedures for approving GOB allowances and contingencies. Please note that all documentation required for reviews, approvals and approval authority related to changes in the work which include allowances and contingencies are clearly delineated in Article 7 of the general conditions of the contract for construction. We concur with the assessment and rationale for amending the master specification guide to clearly align with the language specified in the General Conditions of the Contract for Construction.
 - All the allowances and contingencies reviewed by the OMCA were reviewed, processed, and approved in accordance with the General Conditions of the Contract for Construction. Attached please find the

updated specification guides (exhibit 1 and 2) including the revised language pertaining to approval of each respectively.

Objective 3

- As it relates to the follow-up on the three previously unresolved findings/observations and recommendations from the May 2019 external audit of the midpoint of the GOB funded school improvement program and provide a status of agreed upon corrective actions/ implementation of recommendations, we concur with the assessment that three remaining items have been fully implemented. Below please note the following comments on each individual item:
 - Finding 3.6 – The Office of School Facilities Design and Construction has completed the implementation of procedures that clearly outline to staff what dates are to be used for each individual milestone set forth in the GOB Dashboard.
 - Finding 3.13 – The Office of School Facilities Design and Construction has completed review of all forms to determine their relevancy and updated them. These forms are now being implemented in all capital projects.
 - Observation 3.9 – The Office of School Facilities Design and Construction has developed a form that has been reviewed and approved by both the Program Manager Consultant and district staff. It is now fully implemented.

Again, thank you for all your efforts and professional courtesies throughout the audit process. As always, the Office of School Facilities welcomes input that improves the overall processes and functions of how we do business. Please let us know if you have questions or would like to further discuss our response.

RFP:cm
M213

Attachments

cc: Mr. Alberto M. Carvalho
Mr. Jaime G. Torrens
Mr. Jose Bueno
Mr. Nathaly Simon
Mr. Mauricio Lotero

EXHIBIT 1

01211 ALLOWANCES

SPECIFIER: This is a new section, which shall be used for all Construction Management (CM) projects or as otherwise directed by M-DCPS.

PART 1 GENERAL

1.1 RELATED REQUIREMENTS

- A. General administrative and procedural requirements for Allowances that have been included in the Guaranteed Maximum Price (GMP) Amendment approved by the Board for work to be performed as part of this Project.

1.2 DEFINITIONS

- A. Allowances shall be defined as estimated pre-established line item amounts identified in the GMP Amendment that are separate and apart from the Contingency, and which are to cover the costs of specifically identified or anticipated scopes of work whose exact character were not known at the time the GMP Amendment was approved by the Board. The inclusion of any Allowances in the GMP Proposal and Amendment shall be at the sole discretion of the Board.

1.3 ALLOWANCE REQUIREMENTS

- A. Expenditures for any Allowances may not be made without advance written approval of the A/E and the Board.
- B. The Contractor shall not include in its progress payment requisitions any amounts for Allowances without obtaining prior written approval from the Board.
- C. Amounts for all Allowances shall be net amounts exclusively allocated to the direct costs of subcontractor bids or proposals for labor, materials and equipment related to the applicable Allowance. All general conditions, overhead and profit, and any other related costs associated with Allowances are included in the GMP separate and apart from all Allowances and the Contingency.
- D. Amounts for Allowances shall not be used to cover the cost of any Contingency Adjustment, unless approved by the Board.
- E. When approved by the Board, unused portions of a particular Allowance item may be used to cover the approved cost of other Allowance items when the pre-established aggregate amount for these items are not exceeded.
- F. At the sole option of the Board and only in the event that the actual aggregate price of all Allowance items exceeds the pre-established aggregate amount, the Board's Contingency may be utilized to cover the shortfall.
- G. To the extent that any portion of the total aggregate amount of all Allowance items is not used, a credit change order shall be processed to reduce the GMP accordingly. The

change order credit amount shall include the pro-rata portion of the Contractor's General Conditions applicable there to.

PART 2 PRODUCTS

2.1 SUBMITTALS

- A. At the earliest opportunity at which actual pricing of any particular Allowance item may commence, the Contractor shall obtain and submit to the A/E for review and approval fully detailed documentation in support of its proposed price for each Allowance, including, breakdowns for labor, materials and equipment and such other documentation in support of its proposed price as deemed appropriate and necessary by the Board.
- B. Allowances established in the contract shall be approved per Article 7 – Changes In The Work of the General Conditions of the Contract for Construction.
- C. The Contractor shall submit all required documentation associated with Allowances in a timely manner to allow sufficient time for review and approval by the A/E and Board without impacting the progress of the Work.
- D. The Contractor shall maintain and submit to the A/E an up-to-date spreadsheet tabulation of all pre-established and actual approved amounts for each Allowance. The spreadsheet shall include the difference between each pre-established and actual approved Allowance amount, the aggregate totals of all pre-established and actual approved Allowance items and the overall differences between the aggregate totals of all pre-established and actual approved Allowance items. An up-to-date spreadsheet tabulation shall be provided with each submittal of pricing documentation for each Allowance item for approval and be available to the A/E and the Board at the construction meetings and at such other times as requested by the Board and A/E. Such spreadsheet tabulations shall also be included with all requisitions for payment.

END OF SECTION

EXHIBIT 2

01212 CONTINGENCY

SPECIFIER: This is a new section, which shall be used for all Construction Management (CM) projects or as otherwise directed by M-DCPS.

PART 1 GENERAL

1.1 RELATED REQUIREMENTS

- A. General administrative and procedural requirements for use of the Contingency included in the Guaranteed Maximum Price (GMP) Amendment approved by the Board for work to be performed as part of this Project.

1.2 DEFINITIONS

- A. Contingency – as set forth in the Construction Manager at-Risk (CM) Agreement for which an amount is included in the GMP Amendment for this Work.
- B. Contingency Adjustment – the total price of that portion of the Contingency to be utilized for a particular item of work to be performed on the Project as approved by the Board.

1.3 CONTINGENCY ADJUSTMENT REQUIREMENTS

- A. All uses of the Contingency shall comply with the Construction Documents.
- B. Expenditures related to any Contingency Adjustment may not be made without advance written approval of the A/E and the Board.
- C. The Contractor shall not include in its progress payment requisitions, and the Board shall not be obligated to pay, any amounts for any Contingency Adjustment without obtaining prior written approval from the Board.
- D. Contingency established in the contract shall be approved per Article 7 – Changes In The Work of the General Conditions of the Contract for Construction.
- E. Amounts proposed by the CM for all Contingency Adjustment items shall be determined by the same method as amounts for change orders are determined pursuant to Article 7 of the General Conditions of the Contract for Construction, including calculation of combined overhead and profit.

PART 2 PRODUCTS

2.1 SUBMITTALS

- A. At the earliest opportunity at which the pricing of any particular Contingency Adjustment may commence, the Contractor shall obtain and submit to the A/E for review and approval fully detailed documentation in support of its proposed price for each Contingency Adjustment item.

- B. The Contractor shall submit all required documentation associated with Contingency Adjustments in a timely manner to allow sufficient time for review and approval by the A/E and Board without impacting the progress of the Work, as well as for building code compliance review and approval by the board's Building Code Consultant (BCC).
- C. The Contractor shall maintain and submit to the A/E an up-to-date spreadsheet tabulation for each Contingency Adjustment. The tabulation shall include the description of each Contingency Adjustment, the CM's initially proposed price and the final price as approved by the Board for each Contingency Adjustment, the aggregate total of all Contingency Adjustments approved by the Board and the difference between the aggregate total of all approved Contingency Adjustments and the Contingency amount. Up-to-date spreadsheet tabulations shall be provided with each submittal of the pricing documentation for each Contingency Adjustment for approval. The spreadsheet tabulation shall be available to the A/E and the Board during all construction meetings and at such other times as requested by the A/E and the Board. Such spreadsheet tabulations shall also be included with all requisitions for payment.

END OF SECTION

Anti-Discrimination Policy

The School Board of Miami Dade County, Florida adheres to a policy of nondiscrimination in employment and educational programs/activities and strives affirmatively to provide equal opportunity for all as required by:

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

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

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender. M DCPS does not discriminate on the basis of sex in any education program or activity that it operates as required by Title IX. M DCPS also does not discriminate on the basis of sex in admissions or employment.

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

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

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

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

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

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

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

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

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

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

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

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

In Addition:

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

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

Office of Civil Rights Compliance (CRC)
Executive Director/Title IX Coordinator
155 N.E. 15th Street, Suite P104E
Miami, Florida 33132
Phone: (305) 995-1580 TDD: (305) 995-2400
Email: crc@dadeschools.net Website: <https://hrdadeschools.net/civilrights>

Revised 07/2020



Miami-Dade County Public Schools

***Internal Audit Report
Audit of the District's GOB Expenditures for
Fiscal Year 2019-20,
Allowances/Contingencies and Follow-up on
the External Midpoint Audit***

May 2021

Office of Management and Compliance Audits

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