



Superintendent of Schools

Dr. Jose L. Dotres

Chief Auditor

Jon Goodman, CPA, CFE

September 6, 2022

Miami-Dade County School Board

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

SUBJECT: AUDIT OF THE DISTRICT'S CONSTRUCTION WARRANTY PROCESS

This report includes the results of our Audit of the District's Construction Warranty Process, which was performed in accordance with the approved Fiscal Year 2022-2023 Annual Audit Plan. The objective of this audit was to determine whether adequate controls are in place to ensure the efficient and effective use of construction-related warranties. We found that improvements are needed to better track and exercise construction-related warranties, especially those such as roofs and HVAC systems with coverage spanning more than one year. The Administration acknowledged the need for improvements, and we thank them for actively contemplating and engaging with us to advise on the processes and identify potential solutions. We made three recommendations pertaining to our findings, and the Administration's written response can be found on page five in its entirety.

Background

Construction projects such as a new school or building within a school are generally under warranty by the General Contractor for one year. However, specific components and equipment such as roofs, HVACs, appliances etc., are under warranty for various periods outside of this initial one-year coverage. A Warranty Administrator within the Office of School Facilities oversees the warranty process.

The processes to determine whether a repair is covered by an existing warranty and the exercising of the warranty involve various staff including the site administrator (e.g. Principal), four Regional Maintenance Directors and the Warranty Administrator. There is no centralized repository detailing warranty coverage and/or status.

Scope and Methodology

Repair work orders tested ranged in amount from \$1,000 to \$21,488, and were executed between November 2018 and May 2022. Sampling was based on repairs required at twelve locations which were on construction projects substantially completed within the most recent five years.

Audit procedures included:

- Reviewing applicable statutes, policies and procedures;
- Interviewing various staff of the Office of School Facilities and Maintenance Operations;
- Conducting walk-throughs and observing various controls and processes;
- Reviewing hard copy work orders, building plans, master specification guidelines and warranty agreements;
- Reviewing Florida Inventory of School Houses (FISH) drawings;
- Reviewing work order details in SAP;
- Obtaining and reviewing schedules of construction and maintenance expenditures provided by the Administration;
- Reviewing the warranty process at other large school districts; and
- Surveying applicable warranty tracking software.

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.

Findings

We tested 92 maintenance work orders totaling \$212,585 for repairs performed and costs incurred by the District at 12 schools/locations for the period of November 2018 through May 2022. The required repairs were for four categories with typical warranty periods as follows:

- Roofing (20 years)
- Water Intrusion (5 years)
- HVAC (1-5 years)
- Equipment/Appliances (various)

Twenty-three of the 92 work orders reviewed with repairs costing \$33,084, were not under warranty, and therefore it was appropriate for the District to incur the expense.

Fifty-three of the work orders with repair expenses totaling \$151,276, were likely no longer under warranty at the time of repairs based on the age of the building and the specific item. However, documentation or other definitive evidence that the item was not under warranty was not available or provided.

Two of the descriptions for work orders totaling \$5,132 were not clear as to the location of the item requiring repair to determine if it was under warranty.

Fourteen repairs were clearly under warranty, however, mainly issues with the sub-contractor caused substantial delay and required the repairs to be addressed and costs incurred by the District's Maintenance Division. As of this report date, the District has not been reimbursed for those costs totaling \$23,093. However, as a result of this audit, the Administration is pursuing reimbursement.

Although the District has some basic procedures over the construction warranty process, mostly addressing the standard one-year general construction warranty, the District lacks a consistent, standardized tracking mechanism to efficiently and effectively identify warranty status.

Absent an adequate warranty tracking mechanism, the risk of the District expending time and effort and incurring costs that should have been covered under an existing warranty is markedly increased.

Recommendations

- 1.1 The Administration should explore and consider the procurement and/or development and implementation of a cost-effective, automated warranty tracking system.

Management's Response

The district's current warranty tracking system dates back over 20 years. The capabilities of that platform to track individual warranty items to the details being recommended is not viable within that software. Staff concurs with the recommendation and will discuss the matter with the ITS department to determine the best approach moving forward. The options are to either develop a tracking system from within the district or solicit and procure a warranty management software platform from a vendor.

- 1.2 The District should strengthen the process and written procedures over warranties, especially those for components where the warranty period exceeds one year.

Management's Response

The District currently has had in place for many years warranty procedures and warranty requirements in the master specifications of District construction projects. These procedures are delivered to the school site administrator at the completion of a construction project at the warranty kickoff meeting. They outline the notification process when a

warranty trouble item occurs at the facility. Communication is key during the warranty period by many district stake holders for the process to be successful; however, staff concurs with this recommendation. Our warranty administrator has already begun the process of reviewing these procedures and specifications to address and strengthen the particular matters mentioned in the audit.

- 1.3 The District should pursue collection of any unreimbursed expenditures incurred that were covered under a warranty at the time of repair. Further, a formal reimbursement process should be developed and included in updated procedures.

Management's Response

Staff concurs with this recommendation. In this particular case the subcontractor was non-responsive and due to the critical nature of matter, maintenance was dispatched to make the necessary repairs. The warranty administrator has already developed a standard notification letter (attachment A) to be sent to the contractor seeking reimbursement. This reimbursement process will be included and detailed in the revised warranty procedures being established.

Sincerely,



Jon Goodman, CPA, CFE
Chief Auditor

JG:em
L007

- cc: Mr. Jose Bueno
- Mr. Carl Nicoleau
- Mr. Raul F. Perez
- Mr. Richard A. Yanez
- Mr. Neil R. Singh

Management's Response

MEMORANDUM

September 2, 2022

TO: Mr. Jon Goodman, 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
CONSTRUCTION WARRANTY PROCESS AUDIT**

I would like to express my gratitude to the Office of Management and Compliance Audits (the "OMCA") for performing the Audit of the district's construction warranty process. OMCA and Facilities staff worked closely together during the audit and all requests and information was provided to OMCA in a timely manner. It was a collaborative effort throughout the entire process. Below please find our response to the draft Audit Report.

Audit recommendation page 3, section 1.1:

The Administration should explore and consider the procurement and/or development and implementation of a cost effective, automated warranty tracking system.

Staff Response to section 1.1:

The district's current warranty tracking system dates back over 20 years. The capabilities of that platform to track individual warranty items to the details being recommended is not viable within that software. Staff concurs with the recommendation and will discuss the matter with the ITS department to determine the best approach moving forward. The options are to either develop a tracking system from within the district or solicit and procure a warranty management software platform from a vendor.

Audit recommendation page 3, section 1.2:

The district should strengthen the process and written procedures over warranties, especially those for components where the warranty period exceeds one year.

Staff Response to section 1.2:

The District currently has had in place for many years warranty procedures and warranty requirements in the master specifications of District construction projects. These procedures are delivered to the school site administrator at the completion of a construction project at the warranty kickoff meeting. They outline the notification process when a warranty trouble item occurs at the facility. Communication is key during the warranty period by many district stake holders for the process to be successful; however,

staff concurs with this recommendation. Our warranty administrator has already begun the process of reviewing these procedures and specifications to address and strengthen the particular matters mentioned in the audit.

Audit recommendation page 3, section 1.3:

The District should pursue collection of any unreimbursed expenditures incurred that were covered under a warranty at the time of repair. Further, a formal reimbursement process should be developed and included in updated procedures.

Staff Response section 1.3:

Staff concurs with this recommendation. In this particular case the subcontractor was non-responsive and due to the critical nature of matter, maintenance was dispatched to make the necessary repairs. The warranty administrator has already developed a standard notification letter (attachment A) to be sent to the contractor seeking reimbursement. This reimbursement process will be included and detailed in the revised warranty procedures being established.

Again, thank you for all your efforts and professional courtesies throughout the audit process. As always, the Office of School Facilities always welcomes input that will ultimately improve 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:ap
M063

Attachment

cc: Mr. Jose Bueno
Mr. Carl Nicoleau
Mr. Richard A. Yanez
Mr. Neil R. Singh



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Dr. Jose L. Dotres

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Mari Tere Rojas
Luisa Santos

Date

Attachment A

VIA CERTIFIED MAIL:

RE: NOTICE OF REIMBURSEMENT / SCHOOL NAME / PROJECT NO.

This letter will serve as notice that Miami – Dade County Public Schools is seeking reimbursement in the amount of \$_____ for cost incurred by our maintenance department on items that should have been covered under warranty on above mentioned project per Article 12.2 of the general conditions of the contract for construction.

You will find enclosed a breakdown of these expenditures that were identified as warrantable items for easy reference. The District expects your cooperation in this matter.

If you have any questions or need additional information, please contact me at _____.

Please provide a response within the next ten (10) calendar days of receipt of this Notice.

Very respectfully,

M-DCPS Director of Facilities -

Attachments:
Report of expenditures found to be warrantable.

cc: Raul F. Perez
Project Manager
Warranty Administrator
Document Control