

District-wide Portable Operations

Internal Audit Report

October 23, 2020



**Orange County
Public Schools**

Internal Audit

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Table of Contents

	Page Number
EXECUTIVE SUMMARY	1
DEFINITIONS	2
BACKGROUND	3
OBJECTIVE, SCOPE, AND METHODOLOGY	3
RESULTS AND RECOMMENDATIONS	4

EXECUTIVE SUMMARY

Why We Did This Audit

Our objective was to determine whether District-wide Portable Operations are operating efficiently, effectively and in compliance with their policies and procedures, the State Board of Education guidelines and applicable Florida Statutes.

This audit was included in the 2019-2020 Annual Audit Plan.

Observations and Conclusion

Audit Results at a Glance			
	Risk / Impact Rating		
Results and Observations	Significant	Moderate	Minor
<u>Source</u> IA - Internal Audit or M - Management	IA - 0	IA - 2	IA - 2
<u>Observation Category</u> D - Deficiency or O - Opportunity	O - 0	O - 2	O - 2

Overall Conclusion: District-wide Portable Operations is operating efficiently and effectively and in compliance with their policies and procedures, State Board of Education Rules and applicable Florida Statutes.

Results and Recommendations

We noted a few areas that should be addressed to improve operations and cost effectiveness.

- Portable Operations does not perform a physical inspection which verifies the FISH/portable number of all portables in the District and compare the results to what is recorded on the inventory spreadsheet.
- Checks received in portable operations for aluminum and steel sales were not transmitted to the Finance department in a timely manner.
- Procedures should be updated on the sale of aluminum and steel and electrical wiring.
- There was no procedure for portable inventory tracking and no physical inventory performed on all District portables which are maintained on Portable Operation's inventory spreadsheet.
- Procedures are silent as to who has decision authority over portable disposal/demos and portable sales.

This report has been discussed with management and they have prepared their response which follows.

DEFINITIONS:

Risk / Impact Ratings

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes (high impact and high likelihood)

Observations Categories

Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance
Opportunity	A process that falls short of best practices or does not result in optimal productivity or use of resources

Criteria for Observations Sourced to Management

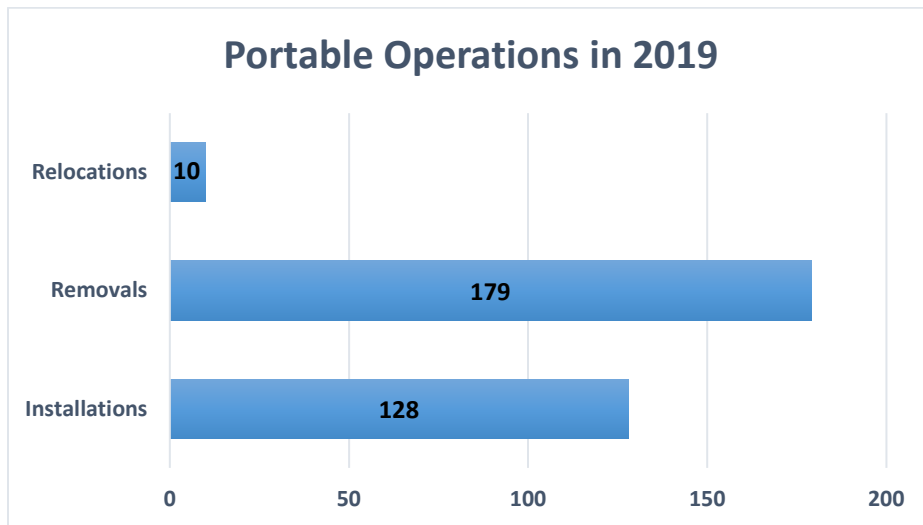
- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

No observations were sourced to management in this audit.

BACKGROUND:

District-wide Portable Operations is part of the Facilities Department under the Facilities Maintenance Division. They are responsible for overseeing the installation, removal and relocation of all leased and owned portables district-wide. Portables are installed and removed based on requests from schools due to enrollment fluctuations and educational program needs and from Facilities for construction swing space. Portable Operations is responsible for the logistics of the portable structures and the schools are responsible for their use on campuses. The following chart summarizes activity for calendar year 2019.

Chart 1



Source: Portable Operations scheduling spreadsheet

As of October 16, 2020, OCPS had 2,102 portables located throughout the district.

OBJECTIVE, SCOPE AND METHODOLOGY:

Objective

The objective of this audit was to determine whether District-wide Portable Operations operates efficiently, effectively and in compliance with their policies and procedures, State Board of Education guidelines and applicable Florida Statutes.

Portable Operations is responsible for logistics and schools are responsible for usage.

Portable Operations handled 317 portable movements during 2019.

There were 2,102 portables in the district as of October 16, 2020.

District-wide Portable Operations Internal Audit Report

Scope

The scope of the audit included department operations and activities during the period from January 1, 2019 through December 31, 2019.

Methodology

The methodology used for this audit consisted of:

- management and staff interviews,
- review of portable operations policy and procedures,
- review of BCCO inspection reports,
- review of internally prepared documents,
- review of ITB's, Bid Award Notifications, and purchase orders,
- physical observation of portables, and
- physical observation of equipment, materials and supplies.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We noted no material deficiencies as a result of this audit. We also offer suggestions to improve controls or operational efficiency and effectiveness.

RESULTS & RECOMMENDATIONS:

Overall Conclusion: District-wide Portable Operations is operating efficiently and effectively and in compliance with their policies and procedures, State Board of Education Rules and applicable Florida Statutes. We noted a few areas where policies and procedures should be updated to reflect current business practices and areas where

We audited portable operations during calendar year 2019.

Among other procedures, we inspected portables at school sites.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

District-wide Portable Operations is operating effectively.

District-wide Portable Operations Internal Audit Report

management should increase internal controls for portable installs and removals. Our detailed findings and recommendations follow.

1) Portable Inventory procedures are not written and there is no periodic verification of the portables inventory. *Moderate Impact*

Best Practice:

To maintain efficient and effective portable operations and reliable inventory records, conducting a periodic physical count of all district portables is advised. The results of the physical inspections should be compared to what is on the inventory report and any discrepancies resolved. A portable inventory tracking procedure establishes guidance on how to accomplish this.

Audit Results:

During our audit we visited 15 sites (12 schools and 3 ancillary sites) and observed 106 portables. Portable Operations does not perform periodic physical portable inspections of all portables in the District. They complete a Tear Down Indexing sheet at the start of every portable disconnect project or when they notice there is missing or incorrect inventory information on their inventory records. This is accomplished by sending a staff member with the chart to the school to confirm the information in the chart is correct or update any information that is missing. The serial number and DCA information is collected from the inside of the electrical panel inside the portable. The remaining information is collected by visual inspection of the inside and outside of the portable. However this process is done as needed and does not include all District portables.

Recommendation:

It is good business practice to perform scheduled inventory inspection of all portables throughout the district and compare it to what is on the portable inventory records. This process will verify that the portables are where they are supposed to be, in good condition, are labeled with the appropriate identification, and that they are being used appropriately.

Inventory procedures are not written and periodic inventories are not performed.

We visited 12 schools and 3 ancillary sites and observed 106 portables

Tear down indexing is performed by portable operations when a portable is to be disconnected

Periodic physical inventory should be conducted by Portable Operations to verify inventory records.

2) Checks received from recycling were not delivered to the Finance Department in a timely manner. *Moderate Impact*

Best Practice:

Finance's guidance regarding deposits received by OCPS divisions is that the funds should be received in the Finance Department within 48 hours of receipt.

Audit Results:

Payments to the Portable Operations department from the sale of aluminum and steel were not deposited timely. During calendar year 2019, recycling scrap materials generated \$44,303 for the district.

Recommendation:

We recommend that all deposits received by portable operations be deposited with Finance within 48 hours of receipt as required.

3) Policy and procedure (PP262) on the sale of Aluminum and Steel and (PP018) Recycling of Electrical Wire should be updated to reflect current practices. *Minimal risk*

Best Practice:

Division procedures should be complete and include all pertinent factors affecting that division.

Audit Results:

The procedures for the sale of aluminum and steel and electrical wiring do not include a procedure to record the location and FISH number of the portable from which the scrap materials came. They also do not describe how and where these recycled materials are stored until they are retrieved by the recycling vendor. If this procedure is not properly documented, it can lead to undetected theft of OCPS property.

Recommendation:

PP262 – Sale of Aluminum and Steel and PP018 – Sale of Electrical Wiring should be revised to include documenting the school/site from

Payments should be sent to Finance within 48 hours.

Sales of scrap materials to recyclers generated \$44,303 for the district in 2019.

The department's procedures for sale of Aluminum and Steel or electrical wiring do not reflect the entire procedure.

which the aluminum and steel or copper is coming and how these materials are to be secured until picked up by the recycling vendor.

4) Sale of Portables Policy and Procedure needs clarification and revision *Minimal Impact*

Best Practice:

Division policies and procedures should be complete and include all pertinent factors affecting that division.

Audit Results:

Although Portable Operations handles the logistics of portable dispositions, when it comes to the disposal and/or sale of portables, the decision of how they are disposed of can be determined by other departments. In the instances where the decision does lie with Portable Operations, the procedures are not clear on what processes should take place. The procedures are also not clear on what factors determine whether a portable is to be sold and what authority determines the sales price at which the portable will be sold. If procedures do not reflect current business practices, errors and misunderstandings are likely to occur.

Recommendation:

We recommend that the portables sales procedure be revised to add a description of the process used to determine that a portable will be sold as well as a reference to the authority which will determine the sales price. It should also include a description of the process used to record and track the sale of a portable.

We would like to thank the staff and management of Portable Operations for their cooperation and assistance during this audit.

Procedures do not identify the responsibility for decisions to dispose of portables or the means of determining sales prices.

For clarity, we recommend the procedure identify which department/ person is responsible for these functions.



Department / School Name	Portable Operations
Administrator / Department Head	Marcy Hoppe-Malmberg, Portable Operations Senior Facilities Manager, Kenneth Winter, Senior Facilities Director
Cabinet Official / Area Superintendent	John Morris, Chief Facilities Officer

Audit Result / Recommendation	Management Response Acknowledgement/Agreement of Condition	Responsible Person and Target Completion Date	Management's Action Plan
Portable Inventory inspection procedures are not written and there is no periodic verification all portables on a regular basis.	Portable verification for inventory and maintenance purposes are completed on an on-going basis. Portables are verified: 1) by Portable Operations before, during, and after all installs and removals 2) by Portable Operations when there are discrepancies in the inventory that need to be addressed 3) by Portable Operations and Construction/Design annually when the portable plans are submitted for SRO's 4) by Portable Operations and Construction/Design annually when portables are evaluated for the annual 5 Year Work Plan that is submitted to the State 5) by Maintenance staff during monthly AC filter changes 6) by Portable Operations monthly when reviewing lease billing 7) by Portable Operations quarterly when reviewing portable needs based on FTE and enrollment projections 8) by Portable Operations and Construction/Design	Marcy Hoppe-Malmberg, Senior Facilities Manager, 03/2021	Create a written procedure for all of the existing steps that are taken to verify portables.



	when a school is scheduled for a Comprehensive Renovation, replacement, or Capital Renewal project.		
Checks received from portable operations sale of recycling materials were not delivered to the Finance Department in a timely manner.	Due to limited staff and their use of sick leave or vacation leave, there were some periodic delays with delivering checks to Finance at the RBELC.	Marcy Hoppe-Malmberg, Senior Facilities Manager, 12/2020	Immediate action will be taken to ensure checks are delivered per the requirements of the Finance Department.
Policy and Procedure (PP262) Sale of Aluminum and Steel and (PP018) Recycling of Electrical Wire should be updated to reflect current practices.	We agree that these Policy and Procedures need to be updated.	Marcy Hoppe-Malmberg, Senior Facilities Manager, 03/2021	Revise these policy and procedures to reflect current practices.
Sale of Portables Policy and Procedure needs clarification and revision	All portables are submitted to, reviewed and approved by the board prior to being removed from OCPS property and the portable inventory. We agree that the process for portable sales needs to be updated.	Marcy Hoppe-Malmberg, Senior Facilities Manager, 03/2021	Revise the process for portable sales.