

Facilities Services District-Wide Capital

Internal Audit Report
November 2018



Linda J. Lindsey, CPA, CGAP, Senior Director
Alva C. Johnson, Internal Auditor

Table of Contents

Facilities Services

District-Wide Capital

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

EXECUTIVE SUMMARY

Why We Did This Audit

The objectives of this audit were to:

- (1) make a determination as to the effectiveness and efficiency of the District-wide Capital Projects process and procedures;
- (2) determine if the internal controls are appropriate to achieve compliance with state laws, applicable district policies and rules and regulations; and,
- (3) consider any circumstances and conditions which may prevent the achievement of District and departmental goals.

This audit was included in the Annual Audit Plan for 2017-2018.

What We Found

Our overall conclusions are:

- OCPS Purchasing Procedures DJB were not followed consistently. Quotes were not always obtained when there was more than one vendor eligible to perform the work needed on projects.
- Evidence that more than one bid was sought was not found in some files.
- In one instance, the “rotation of vendors” procedure for professional services was not followed because of the direction given by the Sr. Facilities Manager.
- One vendor gave the district a \$2,999 “discount” in order to come in \$1 under the threshold that requires competitive bids.

- Two steps in the written procedures – PP135, the development of scope and field verification of completed work were not followed.
- Three projects did not obtain required building permits.
- Costs could not be verified against bid documents or contractor’s evidence of actual cost on some projects tested.

What We Recommended

District-wide Capital should establish departmental procedures to ensure that contracts are awarded on the basis of DJB so that the process is fair, open and non-discriminatory and that the district gets the benefit of competitive pricing.

Staff should be following the written procedures, PP135, in the performance of their duties. It would be helpful if the department would develop and record the complete scope and a total cost estimate for the entire project.

The client liaisons should verify that all projects requiring a building permit submit an application and obtain the permit before the project is started.

Costs on pay applications and/or invoices should be verified and signed by the required personnel to ensure proper, legitimate and approved payments.

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

BACKGROUND:

District-wide Capital projects are those which involve reinvestment in facilities for the purpose of improving or maintaining the integrity of existing facilities per code or for specific improvements as determined by business cases. These projects consist of one or a combination of the following project types: a) business cases, b) new work, c) portables, d) ACFI, and e) health. The department also acts as a liaison to schools and other groups within the Facilities Services department. The department's Digital Curriculum Team is responsible for providing classroom technology to all schools as identified in the cohorts provided by Teaching and Learning. The department consists of a senior manager, five client liaisons, a senior operations and maintenance supervisor and a logistics technician. In fiscal year 2016, 1,152 new work orders were created, and 1,705 were completed. In fiscal year 2017, 1,130 new work orders were created and 1,178 were completed. Total spending was \$9,649,930.18 in fiscal years 2016 and 2017. Funding sources include districtwide capital, other funding sources, safety and capital renewal.

The District Capital programs function was last audited in 2009 with a follow-up review in 2011. The audit noted nine findings and the follow-up review noted two, one of which was a repeat finding from the 2009 audit. The department's procedure, PP135, was revised as a result of the 2009 audit's findings.

OBJECTIVES, SCOPE AND METHODOLOGY:

Objectives

The objectives were to (1) make a determination as to the effectiveness and efficiency of District-wide Capital Projects processes and procedures; (2) determine if the internal controls are appropriate to achieve compliance with state laws, applicable district policies and rules and regulations; (3) consider any circumstances and conditions that may prevent the achievement of district and departmental goals.

District capital projects include:

- *Business cases*
- *New work*
- *Portables*
- *ACFI*
- *Health*

Total spending on district-wide projects in fiscal years 2016 and 2017 was \$9.6 million.

This area was last audited in 2009.

Our objectives were to:

- *Determine the effectiveness & efficiency of processes & procedures*
- *Determine whether internal controls are appropriate*
- *Consider conditions that may prevent achievement of goals*

Scope

Our audit period covered fiscal years 2016 and 2017. We selected and tested a sample of projects from the population that included all districtwide capital projects completed during the audit period.

Methodology

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 also offer suggestions to improve controls or operational efficiency and effectiveness.

RESULTS AND RECOMMENDATIONS:

1) We identified several inconsistencies in the procurement process:

Moderate Risk

- **Quotes were not always obtained when there was more than one vendor eligible to perform the work needed on projects.**
- **Evidence that more than one bid was sought was not found in some files.**
- **In one instance, the “rotation of vendors” procedure for professional services was not followed because of the direction given by the Sr. Facilities Manager.**
- **One vendor gave the district a \$2,999 “discount” in order to come in \$1 under the threshold that requires competitive bids.**

Our audit covered district capital projects completed in fiscal years 2016 and 2017.

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

Procurement processes for these projects were not followed consistently and yet were approved by the Procurement Department.

Best Practice:

Purchasing Procedure – DJB states - The purpose of the policy is to provide a uniform and systematic method for procurement in an efficient, cost-effective manner according to applicable federal and state laws, Florida State Board of Education Rules, School Board policies and administrative rules, procedures and guidelines which promote transparency and accountability in the expenditure of public funds and the use of public resources. The goal of this policy is to protect the integrity of the contract award and the procurement process and to promote fair, open and non-discriminatory competition.

Audit Result:

On several projects, the department contacted only one vendor for a quote when there was more than one eligible vendor on the particular bid. On ITB1410224 - Audio & Visual Equipment, there were eleven awarded vendors and in two instances, only one of those vendors was asked for a quote.

On ITB1502028 – Fencing Furnish & Install, there are three vendors. There was one instance when all selected vendors did not submit a bid. The other two vendors were not contacted.

It should be noted that the Procurement Department approved these purchases despite their not meeting the contract requirements.

The department has a procedure to rotate work among professional services providers. On one project, the rotation method was not followed due to the directive of the senior facilities manager.

Recommendation:

District-wide Capital should establish departmental procedures to ensure that contracts are awarded on the basis of DJB so that the process is fair, open and non-discriminatory and that the district gets the benefit of competitive pricing.

Competitive quotes were not always obtained when there are multiple eligible vendors, and Procurement Services allowed them to proceed anyway.

A departmental procedure to rotate work for professional services among approved vendors was not followed for one project.

2) Two steps in the written procedures – PP135, the development of scope and field verification of completed work were not followed.

High Risk

Best Practice:

The Process and Procedural Manual provides a framework for the process used by all project managers, administrators and staff during the performance of their duties. Its requirements should be followed.

Audit Result:

PP135, issued December 1, 2009 and revised November 2, 2017, prescribes policy and procedures for the District-Wide Capital Projects program. One area of importance is the project scope. The project scope is developed by District-wide Capital staff based upon stakeholder's requirements. Cost estimates are supposed to be based upon the project's scope and historical experience with similar work. The scope of the work and cost estimates are to be evaluated, refined and verified by the department's client liaisons, the maintenance representative, project assistant and the representative of the school, if applicable. Field verification is supposed to be performed to corroborate the precise completion of the project scope, and documented on the contract completion form. In seven instances out of 29, the contract completion form was not completed by the vendor and/or the client liaison, and there was no documentation that field verification was performed.

Recommendation:

Staff should be following the written procedures, PP135, in the performance of their duties. It would be helpful if the department would develop and record the complete scope and a total cost estimate for the entire project.

3) Three projects did not obtain required building permits. *High Risk*

Best Practices:

District wide projects should comply with Section 105 of the Florida Building Code.

District staff should prepare a complete scope of work description including cost estimates prior to obtaining quotes.

7 of 29 projects tested did not have contract completion forms or other evidence of field verification of completed work.

PP135 should be followed.

Audit Result:

There were three projects where building permits were required but not obtained. We confirmed with the district's Building Code Compliance Office that each of these projects should have had permits.

Three projects that required building permits did not have them.

Recommendation:

The client liaisons should verify that all projects requiring a building permit submit an application and obtain the permit before the project is started.

4) Costs could not be verified against bid documents or contractor's evidence of actual cost on some projects tested. *Moderate Risk*

Best Practices:

The client liaison should verify all applications for payment and the invoices, including required signatures. OCPS should pay actual costs and allowable mark-up. The billing supports the actual costs and rates charged and also provides support for allowable mark-up rates. The bid information documents do not always have unit prices for every component of labor, materials and rental equipment, but the percentage mark-up is provided. The submitted billing should have support for all actual costs and rates used, this would include manufacturer and supplier invoices. The client liaison should verify all costs to ensure that the district is paying only allowable amounts. The risk of overpaying or paying for incomplete work will be mitigated when pay applications and invoices are verified.

Audit Result:

There were 106 line items on 6 vendor invoices where individual costs or rates did not agree with the bid sheets or a supplier's or manufacturer's invoice. The vendor invoices should have supporting documentation for all costs, this includes manufacturer/supplier invoices to support non-bid items.

Some costs could not be verified against either bid documents or contractor's evidence of actual cost.

Three out of 32 pay applications were not signed by the client liaison and 20 out of 23 pay applications were not signed by the Senior Facilities Manager. Without authorizing signatures it is not possible to determine appropriate approvals were obtained.

Facilities Services District-Wide Capital Internal Audit Report

Recommendation:

Costs on pay applications and/or invoices should be verified and signed by the required personnel to ensure proper, legitimate and approved payments.

We wish to thank staff of the District-wide Capital Department for their cooperation and assistance with this audit.

To ensure the district is not overcharged, department staff should verify amounts billed against bid sheets or actual supplier invoices.



Department / School Name	Districtwide Construction
Administrator / Department Head	Elizabeth Pearson, Mike Winter
Cabinet Official / Area Superintendent	John Morris

Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? (MM/YYYY)
<p>Quotes were not always obtained when there was more than one vendor eligible to perform the work needed on projects.</p>	<p>All procurement processes and procedures are being followed, per the contracts issued by the Procurement Department. All documents showing compliance with term service contracts are reviewed with the Procurement Department before they will issue a purchase order. If multiple quotes are required, they request to review those for compliance prior to approval. DJB regulations are satisfied when Procurement solicits competitive quotes from vendors and enters into a term service contract with the selected vendors to provide the best value to the District. Contracts are only awarded by Procurement and they ensure compliance with DJB. There is a high level of oversight, on behalf of the Procurement Department, to ensure that the end users comply with the terms and conditions of these contracts. Each contract must be analyzed individually for compliance, and we follow all terms provided to us.</p> <p>The projects specified are the sound systems at Oakridge and East River HS. The audio visual bid does</p>	<p>Facilities Manager, Project Assistant</p>	<p>Continue to comply with procurement practices. Executive summary will be mandatory for all projects completed within the department effective June 30, 2019.</p>



	<p>list eleven vendors, however, Procurement suggested we utilize the two to three qualified vendors from the Bid list. Out of the eleven vendors on the Bid, only two were qualified to complete the requested work. DWC requested a quote for each one of the projects individually, from one of the two qualified vendors separately. A cost comparison was completed that showed pricing from the qualified vendors were in line and appropriate for the projects. These sound systems were deemed a safety issue and work was expedited based on the safety concern.</p> <p>The executive summary was implemented to summarize scope, cost, and explanation of projects. Reasoning for bidding and compliance with contract conditions will be noted under the cost section of the executive summary. The executive summary accompanies all documents being processed through the Doc Review process. In response to this audit finding, DWC will make the executive summary mandatory for all projects completed within the department.</p>		
<p>Evidence that more than one bid was sought was not found in some files.</p>	<p>DWC requests quotes from more than one vendor when required. When a contract does not have a requirement for competitive bidding, a quote would only be received from the selected vendor, so there would not be a “no bid” response from any other vendors. When vendors are assigned a specific scope of work, as a lot, on a term service contract, they must be used exclusively, per that contract, so there would not be any “no-bid” responses from any other vendors.</p> <p>The executive summary was implemented to summarize scope, cost, and explanation of projects, as</p>	<p>Facilities Manager, Project Assistant</p>	<p>Continue to comply with all terms and conditions of term service contracts. Executive summary will be mandatory for all projects completed within the department effective June 30, 2019.</p>



	noted in response above. Further action is not required.		
In one instance, the “rotation of vendors” process for professional services was not followed because of the direction given by the Sr. Facilities Manager.	Rotation is not contractual. In this instance, an email was provided from the Sr. Facilities Manager indicating which firm to use due to the suitability of the work. Further action is not required.	Fiscal, Facilities Manager, Project Assistant	Continue to assign Professional Service Contract firms according to the Next In Line spreadsheet and based on the caveats of; least amount of dollars, least amount of work, or suitability for the particular scope of work. Executive summary will be mandatory for all projects completed within the department effective June 30, 2019. Email documentation of “next in line” or deviation approval from Manager.
One vendor gave the district a \$2,999 “discount” in order to come in \$1 under the threshold that requires competitive bids.	Per the term service contract, vendors are allowed to vary from the pricing they submitted to the District, as long as the prices they offer are lower. This results in a benefit to the District. This case is not against their contract and was reviewed by the Procurement Department prior to a PO being issued. Further action is not required.	Fiscal, Facilities Manager, Project Assistant	Continue to follow all terms and conditions of contracts, and any guidelines issued by the Procurement Department. Executive summary will be mandatory for all projects completed within the department effective June 30, 2019.
Two steps in the written procedures-PP135, the development of scope and field verification of completed work were not being followed.	A general scope is found in the SAP notification request from the end user in SAP, with a very detailed scope provided to each vendor on the Request for Quote or proposal. Additionally, this scope, as well as the explanation for it, is captured on the Request Summary and in the Executive Summary that is presented at Doc Review and to CPSC. Cost estimates are provided to the end user, when the cost is to be borne by them, and is noted in the notification, so they can determine if they want to proceed with the quoting phase.	Sr. Facilities Manager, Facilities Manager, Project Assistant	Review of PP135. Team will review and implement approved recommendations by June 30, 2019. Executive summary will be mandatory for all projects completed within the department effective June 30, 2019.



	<p>Detailed cost estimates are developed only for projects that have an architect or engineer involved.</p> <p>The Contract Completion Form is not a contractual obligation of all term service vendors and does not indicate field verification by the Facilities Manager. Standard Procedures requires Facilities Managers field verify prior to approving invoice and payment.</p>		
<p>Three projects did not obtain required building permits.</p>	<p>Three vendors is correct. One was work that was completed by another OCPS department on our behalf. The second had submitted a permit application to us, which we signed and returned to them. They did not, however, submit it to the Building Code Compliance Office. The third one did not fill out an application.</p>	<p>Sr. Facilities Manager, Facilities Manager, Project Assistant</p>	<p>Team will review permit process and implement approved recommendations by June 30, 2019.</p>
<p>Costs could not be verified against bid documents or contractor's evidence of actual cost on some projects tested.</p>	<p>We concur with this exception. This has been a recurring problem that has been addressed previously.</p>	<p>Sr. Facilities Manager, Fiscal, Facilities Manager, Project Assistant</p>	<p>Cost verification will be added to the closeout checklist and random audits will be performed to ensure the documentation is obtained, reviewed and filed by the project manager. Continue to follow all terms and conditions of contracts, and any guidelines issued by the Procurement Department. Executive summary will be mandatory for all projects completed within the department effective June 30, 2019.</p>