

Facilities Use Management

Internal Audit Report

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EXECUTIVE SUMMARY

Why We Did This Audit

Management requested this audit due to the impending outsourcing of facilities use management from district staff to a vendor. We last audited Facilities Use Management (FUM) in 2014, and management noted that a number of recommendations from that audit have not been addressed.

Our objectives were to evaluate FUM’s effectiveness, efficiency, and internal controls to assist the department in managing its transition to outsourced management and to evaluate compliance with applicable laws and regulations as well as district policies. We were also asked to analyze utility fee rates as compared to utility costs and to evaluate the large amount of unpaid facilities use fees.

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

Observations and Conclusion

Audit Results at a Glance			
Results and Observations	Risk / Impact Rating		
	Significant	Moderate	Minor
<u>Source</u> IA - Internal Audit or M - Management	IA - 1 M - 2	IA - 2 M - 0	IA - 2 M - 0
<u>Observation Category</u> D - Deficiency or O - Opportunity	D - 3	D - 2	D - 2

Two items in the table above are repeated from our 2014 audit. Due to a scope limitation we are unable to express an overall conclusion. However, from the procedures we performed we have identified several areas of risk that should be addressed as described in the next section.

Results and Recommendations

- When the contract with the previous software provider ended, so did access to 16 years of OCPS data for facilities users.
Note: A new provider for Facilities Use has been selected to replace the previous vendor.
- \$1.3 million in unpaid facilities use fees are over 75 days in arrears and some users have been allowed to continue using facilities even though they have not paid prior fees.
- Uncollectible amounts going back as far as 2004 have not been written off.
- Two issues from the 2014 audit have not been addressed.
- Utility rates for users should be increased to cover actual costs.
- In-kind (third party donation of goods and services beneficial to the Board in lieu of fees) applications were deficient for two users.
- Payments for facilities use were not submitted timely to the Finance department.
- Scorecard data showed a recording error of \$10,000.

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 from 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

Two observations in this report were identified by management. They are related to the adequacy of utility fee charges as compared to utility costs and the large amount of unpaid facilities use fees.

BACKGROUND:

Management requested this audit due to the impending outsourcing of facilities use management from district staff to a vendor. We last audited Facilities Use Management (FUM) in 2014, and management noted that a number of recommendations from that audit have not been addressed.

The FUM department is responsible for overseeing access to district facilities by community groups and governmental agencies. Until very recently, the department facilitated this access with the help of a cloud-based software program called Dude Solutions. According to a fee structure established by the School Board, customers are categorized by user group and charged usage fees. The School Board approved the user group codes, usage fee schedules and procedures for community use and access to school facilities by resolution on January 11, 2005. School Board Policy KF, updated on June 11, 2019, provides guiding principles for use of school board facilities by the public.

The FUM department works in conjunction with the administrators of each OCPS facility or school site. In their oversight role, FUM staff track facility use, invoicing and payments. Most of the revenue collected for use of school facilities stays at the school for its use. Only charges intended to recover costs such as utilities and custodial services, are recorded at the district level.

During the audit period of July 1, 2018 through December 31, 2019, \$7,859,124 was collected for 49,410 scheduled events. However, an additional \$947,117 in billed fees for this period were not collected as discussed more fully later in this report.

OBJECTIVES, SCOPE AND METHODOLOGY:

Objectives

Our objectives were to evaluate FUM's effectiveness, efficiency, and internal controls to assist the department in its transition to outsourced management and to evaluate compliance with applicable laws and regulations as well as district policies. We were also asked to analyze utility fee rates as compared to utility costs and to evaluate the large amount of unpaid facilities use fees.

Management requested this audit.

FUM oversees access to district facilities by outside organizations.

Most revenue from facilities use fees is retained at the schools.

The district collected \$7,859,124 for 49,410 events during the audit period. An additional amount of \$947,117 of fees for this period was unpaid.

We were asked to analyze utility fee rates as compared to utility costs and to evaluate the large amount of unpaid fees.

Scope

This audit was planned to cover all activities of the department from July 1, 2018 through December 31, 2019. However, just after the audit began, the district switched from district staff using Dude Solutions to outsourced management with a vendor named Facilitron. Shortly after this change in management, the district lost access to all its information regarding facilities rentals, documentation, fees and collections, contained in Dude Solutions. This prevented us from performing certain of our procedures. As a result we are unable to form an overall opinion regarding our audit objectives and instead have reported only on the results of those procedures we were able to perform.

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, except for the scope limitation noted above. 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.

Our methodology for this audit included:

- Reviewing department processes and procedures
- Reviewing OCPS policies and Florida Statutes
- Examining information from the Dude Solutions software about scheduled events and reports¹
- Verifying data files and department reports¹
- Interviewing members of management

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.

¹Our ability to perform these steps was limited because records were not available.

Our scope was limited when department records with the cloud service provider were not accessible.

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

RESULTS AND RECOMMENDATIONS:

1) District records were lost when the Dude Solutions contract was cancelled. *Significant impact/ Internal Audit*

Best Practices:

Cloud services provider contracts should include a requirement to turn over district records stored at the cloud service provider when the contract ends.

Audit Results:

The cloud based software Dude Solutions, which was used to record all facilities use events for the district, was discontinued on April 5, 2020. Dude Solutions had been used since 2004, and all data since 2004 was housed on this provider's system. The district's contract with Dude Solutions was a piggy-back contract from another entity and did not contain a provision requiring that records be turned over to the contracting organization when the contract ends.

The types of data and documents stored on Dude Solutions included:

- User contact information
- User event payments
- Scheduled events, cancelled events
- Invoiced amounts and account balances
- In-kind credit information
- Liability insurance documentation

Duplicates of these records were not maintained in office files or on office computers. Now they are not available should a public records request be received, or should district staff have need of this information to research past transactions. Staff downloaded some files prior to the contract's end, but files that were not downloaded are not accessible.

District data was lost after the Dude Solutions contract ended.

Records are not available for research or in case of a public records request.

Recommendation:

The District should explore options for obtaining its data from the vendor. Future contracts should contain provisions that protect the District against loss of data and give recourse for such events.

2) The district is owed almost \$1.4 million in unpaid fees and the FUM Department has not enforced prepayment of fees, security deposits or late fees. – Repeat finding *Significant risk / Management*

Best Practices:

Fees billed should be collected on time to ensure schools and the district are paid for the use of their facilities. New users and current users who have not paid their bills on time should prepay fees or pay a security deposit as provided for in the department's procedures. School Board Policy KF - Use of Facilities & School Board Property includes provision to deny use of Board property until outstanding balances are paid. Uncollectible amounts should be written off in accordance with School Board Policy.

Audit Results:

We noted that facilities users were allowed to continue using district facilities even when their accounts were unpaid. At March 15, 2020, 659 agencies and organizations owed the district \$1,389,302 for events held at district facilities. Ten of these organizations owe the district between \$9,800 and \$35,000 each, and one has been allowed to continue booking reservations even though they have not paid for their past use of district facilities. The department has not written off its uncollected debts.

Published FUM procedures require first time users to pre-pay fees two days prior to their event and users with long-term agreements to pay 14 days prior to their event. These procedures also include requirements for security deposits, late fees and cancellation fees. In our 2014 audit we recommended that the department implement these procedures, but they have not done so.

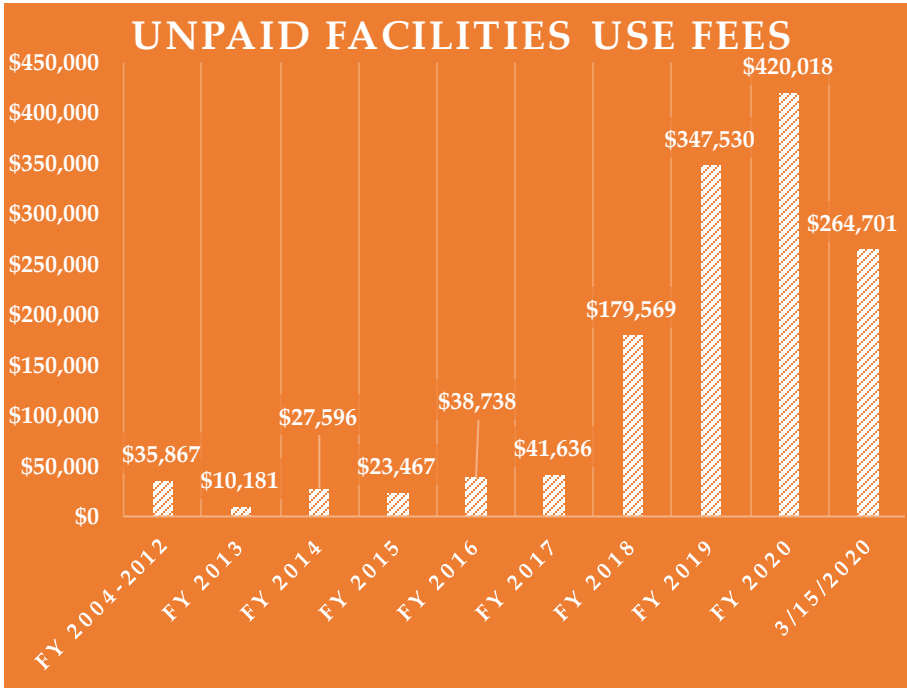
School Board Policy KF addresses use of facilities and School Board property.

659 organizations owe the district almost \$1.4 million.

Ten organizations owe between \$9,800 and \$35,000 each.

The department has not implemented its procedures for prepayments, security deposits or late fees.

The chart below shows the accumulated unpaid fees by fiscal year from 2004 to March 15, 2020 with a noticeable increase over the past three years.



The amount of unpaid fees has increased significantly over the past three years.

The department has not written off uncollectible accounts.

Facilities use fees are retained by the schools and used for extra expenses. Unpaid fees result in fewer dollars available to the schools.

Recommendation:

As in our 2014 audit, we recommend that organizations with unpaid balances greater than 30 days not be allowed to use facilities until their fees are paid. Advance deposits should be collected from continuing users who have not paid their fees on time to protect against bad debts. If these measures had been used, the large amount of unpaid fees could have been avoided and these monies would be available to the schools. After all collection efforts have failed, uncollectable amounts should be written off in accordance with School Board Policy.

The district should not allow organizations with unpaid fees to continue to use its facilities.

Uncollectible amounts should be written off.

3) Utility Rates should be adjusted to cover the district's actual costs.

Significant impact / Management

Best Practice:

In order to avoid the district incurring an expense due to outside organizations using its facilities, fees charged for utilities should cover the district's utility costs associated with facility usage.

Audit Result:

The Energy Advisors Department has documented increases from 9% to 25% in utility costs since the last fee update in 2017. Their analysis indicates that the fees charged are not enough to cover the utility costs incurred by users of district facilities.

Recommendation:

To ensure that the district does not lose money due to utility costs incurred by facility users, management should periodically review and update the utility rates charged to facility users. The Energy Advisors Department prepares reports on energy costs for the district that should be referenced during these reviews. The rates charged to facility users should cover the district's costs.

4) Payments were not submitted timely to the Finance Department.

Moderate risk / Internal Audit

Best Practice:

To reduce risk of loss, checks received by departments should be sent to the Finance department within 24 – 48 hours of receipt. Until sent to Finance, the payments should be protected from loss and duplication.

Audit Result:

We noted that checks received by mail may be held for several days in a locked file at FUM offices until they are taken downtown to the Finance department.

According to the Energy Advisors Department, utility charges to facilities users do not cover current utility costs.

Fees for utilities should cover the district's costs.

Checks are held at FUM until someone can take them downtown to the Finance Department.

Recommendation:

Payments should be submitted to the Finance department within the required period. This would eliminate the need to keep these checks in the FUM office for an extended period of time.

5) Documentation for two users' in-kind credits was deficient.

Moderate risk / Internal Audit

Best Practice:

Comply with School Board Policy.

Audit Result:

School Board Policy KF (4) Waiver of Rental Charges (b) states: "...third party users may submit an application to provide goods and services beneficial to the Board or a school in lieu of fee payment," and Section (4) (c) states: "The justification for any waiver of fees or approval of in-kind exchange shall be properly documented by a Cabinet level staff member or their designees."

Two organizations did not comply with the policy for in-kind donation credits. One organization did not have a properly approved application and the other organization's paperwork could not be found.

Recommendation:

Organizations must provide proper documentation to be approved for in-kind credits and the application must be signed by a cabinet level staff member in accordance with School Board Policy KF.

6) User groups and priority ranking should be clarified. – Repeat finding *Minor risk / Internal Audit*

Best Practice:

User groups and priority rankings should be adequately defined to ensure equitable and consistent access to use of district facilities.

Audit Result:

User group category definitions and priority rankings have not been determined. The definition of User Group 1 does not clearly define who

In-kind goods and services can be used to reduce fee charges.

Two organizations' in-kind applications were deficient.

To ensure the district school groups receive first priority for use of district facilities, the user groups should be clearly defined.

has priority when both an OCPS school group and a community group want to use the same school facility at the same time. In our previous audit we identified a situation where a community group without an approved Facility Use Agreement was given priority over an OCPS school group. Both groups were in User Group 1. Our recommendation from that audit has not been implemented.

Recommendation:

Management should review the user group categories and establish a priority of use for district locations. Those user groups that are no longer relevant can be eliminated and new ones can be added.

7) Scorecard data did not always agree with underlying records.

Minor risk / Internal Audit

Best Practice:

When scorecard information is gathered, its supporting documentation should be retained.

Audit Result:

Some totals on the scorecards were different when the reports were run for the audit. There was a \$10,000 difference in Extended Day receipts for May 2019. This may have been an error in recording the data. There were also differences noted in the number of events without signed agreements and in-kind totals.

Recommendation:

Scorecard supporting documentation should be retained to validate ending report totals. This step would help to authenticate the management report.

We would like to thank the staff and management of the Facilities Use Management Department for their cooperation and assistance during this audit.

This is a repeat finding that has not been addressed since our prior audit.

The department's scorecards did not always agree with underlying records.

We noted a \$10,000 difference in Extended Day receipts.

Documents to support reported amounts should be retained.



Department / School Name	Facilities Use Management
Administrator / Department Head	Harold Jenkins, Facilities Director Real Estate Management
Cabinet Official / Area Superintendent	John Morris, Chief Facilities Officer

	Audit Result / Recommendation	Management Response Acknowledgement/ Agreement of Condition	Responsible Person (Name & Title) And Target Completion Date (MM/YYYY)	Management's Action Plan
1	District records were lost when the Dude Solutions contract was canceled.	The District's facility use/rental history was provided by Dude Solutions on Excel spreadsheets. It will take some time for management to review and decipher the information contained thereon so that the information is understandable.	N/A	REM has reached out to Dude Solutions for information and guidance in deciphering the information provided on the spreadsheets. To date, Dude Solutions has not responded to the request.
2	The district is owed almost \$1.4 million in unpaid fees and the FUM Department has not enforced prepayment of fees, security deposits or late fees.	Past due invoices 8/2019 through 3/2020 were migrated to the Facilitron system by Facilitron staff. Facilitron, with the assistance of REM staff, is working to collect payment or otherwise reconcile these invoices. Some progress has been made. Since access to SchoolDude is no longer available, it will be difficult to collect on past due invoices for use prior to 8/2019 due to a lack of documentation to support the past due invoices.	Harold Jenkins, Facilities Director, REM 6/2022	Facilitron, on behalf of the District, will continue to pursue collection on invoices dated 8/2019 through present. On or about 6/2021, REM will request through management that the School Board write off unpaid invoices dated prior to 8/2019.



3	Utility Rates should be adjusted to cover the district's actual costs.	Environmental Compliance, f/k/a Energy Advisors, acknowledged to FUM that utility charges for facility rentals did not cover the district's actual costs.	Harold Jenkins, Facilities Director, REM 6/2021	REM will discuss utility rates for facility use with Environmental Compliance. Environmental Compliance will need to present suggested utility rate increases to Cabinet.
4	Payments were not submitted timely to the Finance Department.	Facility use checks were delivered to the Finance Dept at the RBELC using Facilities staff.	Kathy Condrey, Administrator, REM 7/2020	Checks received by REM will be delivered promptly to the Finance Department via the courier service.
5	Documentation for two users' in-kind credits was deficient	Due to inexperienced FUM staff, the In-Kind Applications were not properly processed.	Kathy Condrey, Administrator, REM 12/2020	REM will advise Facilitron of the In-Kind Application process and requirements prior to its acceptance and approval of any In-Kind Application. REM will review all In-Kind Applications submitted to Facilitron prior to the issuance of a credit until Facilitron understands and can oversee the process without input from REM.
6	User groups and priority ranking should be clarified. – Repeat finding	User groups were defined by resolution of the School Board. In 6/2015, FUM made a presentation to Cabinet which proposed the elimination of user groups which were no longer applicable and clarifying the definition of the remaining user groups. The Superintendent tasked a Cabinet member to work with FUM on revisions; however, due to staff within Cabinet, a revised presentation was not made.	Harold Jenkins, Facilities Director, REM 6/2022	REM will work with Facilities Legal to revise the School Board resolution which defines user groups.



7	Scorecard data did not always agree with underlying records.	A typographical error was made on the Scorecard for 5/2019 thus creating a discrepancy of \$10,000 in the total for extended day receipts. The other discrepancies appear to be human error.	N/A	The \$10,000 error in regard to child care receipts was corrected and the 5/2019 Scorecard now reflects the accurate total receipt. Since facility use is now outsourced to Facilitron, future reports will be provided by Facilitron.
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