



2016

Orange County Public Schools Audit Spring Lake ES Replacement Project

Orange County Public Schools
Internal Audit Department

Orange County Public Schools
Internal Audit Report
Spring Lake ES Replacement Project
March 2, 2016



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Spring Lake ES Replacement School Audit

BACKGROUND

The original Spring Lake Elementary School campus was constructed in 1960. It consisted of an administrative building, and two classroom buildings. In 1965 a cafeteria building was added. The media/classroom building was added in 1966. A storage building was added in 1976. Finally, in 1983 two classroom buildings and two storage buildings were added. The campus of ten permanent buildings was augmented by 21 portable classroom buildings. This project consisted of replacing the existing classrooms and core buildings with a permanent prototype elementary school design. The new school included classrooms, cafeteria/kitchen, media center, art/music/science/computer labs and administrative suite. The new design provided an enhanced 'front door' to facilitate OCPS' security standards. The project utilized a previously used successful elementary school prototype design.

OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES:

The audit objectives included an evaluation of effectiveness, efficiency, internal controls and compliance with policies related to cradle-to-grave management of school construction projects.

SCOPE:

The scope of the audit was designed to ensure that the objectives of the engagement would be met, considering the reliability and validity of information obtained from data systems, departmental records and staff. The audit scope included all activities and transactions for this project, from the initial planning stage through the close-out and final project audit. These activities occurred from 2011 through 2015.

METHODOLOGY:

Our audit was conducted in conformance 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 accomplish 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 may also offer suggestions to improve controls or operational efficiency and effectiveness.

FINDINGS AND RECOMMENDATIONS

Board Reports and Agenda Items

BRPH was awarded the contract to provide professional architectural and/or engineering services for the design of Spring Lake ES replacement project. The contract was valued at \$503,395. This contract was signed by the Superintendent on November 28, 2011, but this award was not reported to the School Board on the monthly Facilities Services Board Report.

The monthly Facilities Services Board Report should be reviewed for completeness and accuracy before it is submitted as a Board agenda item.

Contingency Log Discrepancies

There were two different versions of the final Contingency Log for this project. The project file contained a version that was different from the version attached to the GMP final reconciliation – change order #7. Two uses of contingency, owner-contingency #4 and construction manager-contingency # 8, were changed in the project file and those changes were reflected on the Contingency Log in the file. However, the Contingency Log attached to the GMP final reconciliation, did not show changes to either item #4 or item #8.

The official project file should contain accurate records of all matters related to the project. Records, including the Contingency Log, should be reviewed and reconciled to ensure that all items are the final, correct documents. At a minimum, the contingency and change order logs in the file should be the same as those used in the final GMP reconciliation. This will be of benefit to management and the project management team and facilitate research and audits in the future.

Prompt Payment Policy Compliance

We tested 141 ODP payments. In nine instances, the invoice payment dates were more than 25 days after invoice receipt which exceeds the time limits in the Florida Prompt Payment Act. In 23 instances, the payment dates exceeded the 20 day limit established by School Board policy DIA. There were nine invoices that did not meet district standards, but there was no proof that a written notice was sent to the vendor as required by policy. The vendors that sent the improper invoices should have been notified in writing of the discrepancies within 10 days.

The department should follow school board policies and Florida Statutes to maximize resources and save time.

We would like to thank the Facilities Services and Facilities and Construction Contracting staff for their cooperation and support during the audit.

Alva Johnson, Internal Auditor

Spring Lake ES: Response to (draft) Internal Audit Report (March 2, 2016).

May 11, 2016

item No.	issue noted by OCPS' Internal Audit Dept.	area	management response
11.D.1	The contract was valued at \$503,395. This contract was signed by the Superintendent on November 28, 2011, but this award was not reported to the School Board on the monthly Facilities Services Board Report.	OCPS' Facilities Contracting Dept.	Addressed by OCPS Facilities Contracting Department. See attached
11.D.2A	There were two different versions of the final Contingency Log for this project.	OCPS' PM Team	Project Managers will provide updates of the relevant logs on a monthly basis. Program Management Oversight will be established to confirm that logs are provided at specified intervals during the construction phase of the project. Responsibility to be established for an individual to monitor, review and correct where necessary.
11.D.2B	At a minimum, the contingency and change order logs in the file should be the same as those used in the final GMP reconciliation.	OCPS' PM Team	Oversight will be provided to verify the PM's inclusion of logs within the relevant files as well as ensuring the consistency of logged items vs. the actual change item. This to ensure that final reconciled amounts and logs along with applicable documents are properly populated in the payment files. Upon completion of construction and as a "checklist item" prior to close-out of the project, files will be reviewed to confirm accuracy.
11.D.3A	We tested 141 ODP payments. In nine instances, the invoice payment dates were more than 25 days after invoice receipt which exceeds the time limits in the Florida Prompt Payment Act. There were nine invoices that did not meet district standards, but there was no proof that a written notice was sent to the vendor...	OCPS' Fiscal Dept. & OCPS' PM Team	<i>The Fiscal processing guide indicates that when improper ODP invoices are received, an email communication is sent to both the project manager and the firm for correction. The 9 instances mentioned in this audit report were handled in this manner. However, a copy of the communication was not included with the payment that was processed. Going forward, all communication related to payment delays will be scanned with the ODP payment when processed</i> <i>The PM Team will prepare a log that tracks the status of payment requests from receipt by PM thru' recommendation for payment. PMs are made aware that invoices are to be returned to OCPS' Fiscal Department in a timely manner should there be a discrepancy and or dispute that would hinder its payment.</i>

Spring Lake ES: Response to (draft) Internal Audit Report (March 2, 2016).

May 11, 2016

item No.	issue noted by OCPS' Internal Audit Dept.	area	management response
11.D.3B	In 23 instances, the payment dates exceeded the 20 day limit....	OCPS' Fiscal Dept.	<p>The other 23 instances of payment delays that exceeded 20 days can be attributed to a number of reasons:</p> <ol style="list-style-type: none"> 1. Fiscal Year Shutdown 2. Missed Deadlines by PM and/or CM Team 3. Accounts Payable Processing Delay
11.D.3C	The vendors that sent the improper invoices should have been notified in writing of the discrepancies within 10 days.	OCPS' Fiscal Dept. & OCPS' PM Team	<p>With each of the delays listed above, we communicate thoroughly the year end deadlines and department closures through distributing the Fiscal Year End Procedure and Deadlines memo (see attached). In addition, the Fiscal section now runs a weekly report to identify invoices that have been submitted to Accounts Payable that were not processed and request an additional check run so that invoices do not sit for an additional seven days for the next check run cycle (see attached).</p> <p>A process will be implemented to track and ensure the PM Team's timely review and approval of invoices that allows the Fiscal Department the ability to process payments within the allotted time frame. Timeliness will be especially critical for when the district mandates its fiscal shutdown period, for the prompt payment allotted timeframe does not.</p>

With regard to the Spring Lake ES Replacement Project Audit Findings and Recommendations – Board Reports and Agenda Items; page – 2:

While there is not a policy requirement to report these types of documents to the School Board, the department presents them on a monthly basis for information and transparency purposes. The report is presented under the Facilitates Services section of the Board meeting agenda. The omission of documents from this report is an anomaly.

In the case of the Spring Lake ES Replacement Project A/E agreement, this document was omitted from the report based on the approval date which we identified as the date the document is executed by all applicable parties. This is a variable date based on document review requirements by the Vendor and/or our District. The process has been updated to generate the Procurement Services report based on the fixed date of when the Capital Project Steering Committee (CPSC) recommends approval. This minimizes the risk of an item not being reported on a timely basis to the School Board.



Facilities Fiscal Year End Procedure

As Orange County Public Schools fiscal year end approaches, we would like to share pertinent information with those that conduct business with us. While construction efforts continue throughout the year, fiscal activities do not. A fiscal year end process is important for a couple of reasons:

- Allows for representation of all balance as of the close of the fiscal year (June 30)
- Basis for annual financial statement and other reports
- Basis for financial statement audit

In order to realize a seamless transition from fiscal year 2014-2015 to fiscal year 2015-2016, we need your help. This year the year end process will occur in stages:

- Outstanding PO Report and Outstanding Invoices
- Planned Purchases
- SHUT DOWN
- Invoice Processing Only
- Resume Operations

Outstanding PO Report and Outstanding Invoices

According to the Florida Prompt Payment Act, when proper invoices are received prompt payment must be made within 45 days of these calculated dates for non-construction services and 20 business days for construction services. You will be provided with a list of open purchase orders by project. Please review the list of purchase orders and submit invoices (that you have) as soon as possible for processing. Invoices dated on or before June 30, 2014 must be submitted for payment not later than **July 15, 2015**. We encourage you not to hold on to invoices. Any invoices received after this date for the previous fiscal year will not be processed without a Letter of Justification on the CM's letterhead. (The letter of justification needs to provide a detailed reason why the invoice was not submitted before the deadline).

Florida Prompt Payment Act

http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=Ch0218/part07.htm&StatuteYear=2001&Title=-%3E2001-%3EChapter%20218-%3EPart%20VII

Planned Purchases

Please assess your needs for the month of June and July and submit purchase request for those products and/or services in advance. The last day to submit a purchase request is **June 4, 2015**. Purchase request received after this date will be held until the accounting system is available for posting.

SHUT DOWN

Due to annual system unavailability, the fiscal section will be unable to process purchase request until **July 27, 2015**. Only in cases of emergency, are we able to process an emergency purchase order. Therefore, if the purchase is deemed an emergency, we will follow standard approval process and submit the emergency request to contract administration for a temporary PO request.

Invoice Processing Only

Once the system is available the Fiscal section will need to process as many payments as possible with the start of the new fiscal year. As a result, from *July 7, 2015 to July 27, 2015* the Fiscal section will only process invoices for payment.

Resume Operations

On **July 27, 2015** we will resume standard fiscal operations.

Facilities Fiscal Year End

Deadlines

4/5/2016

Purchases	
5/24/2016	Last Day to submit PO requests for General Funds
6/1/2016	Last Day to submit Doc Review items. All items submitted after this point will be reviewed and held until the system is back up. Emergencies are the only exception.
6/10/2016	Last Day to submit PO requests for <i>Capital Funds</i>
6/17/2016	Last Day to enter travel expense reports
6/17/2016	Last Day to submit invoices for payment
6/23/2016	System SHUT DOWN
6/30/2016	Last Check Run of Fiscal Year
Emergencies	
6/23/16 through 7/27/16	We should plan ahead as much as possible. When emergencies arise, we will process those purchases under the emergency purchase order system. Procurement will issue a temporary purchase order and the actual purchase order will be created once the system is available.
Payments	
7/20/2016	Last day to submit invoices for fiscal year 2015-2016. <i>Any invoices received after this date for the previous fiscal year will not be processed without a Letter of Justification on the CM's letterhead.</i>
Resume Normal Operation	
7/28/2016	The Facilities Fiscal section will resume normal operations on July 28, 2016. <i>Any invoices received after this date for the previous fiscal year will not be processed without a Letter of Justification on the CM's letterhead.</i>

OConnor, Mark

From: Schaffer, Terri L.
Sent: Monday, May 2, 2016 8:54 AM
To: Frazier Thomas, Regina R.
Subject: RE: Facilities invoices not processed for payment

Importance: High

FYI

Thank you,

Terri Schaffer
Senior Specialist
Facilities Services
407.317.3700 Ext. 2025265

From: Schaffer, Terri L.
Sent: Wednesday, January 20, 2016 11:32 AM
To: Espinal, Mari
Cc: Frazier Thomas, Regina R.; Cook, John T.
Subject: RE: Facilities invoices not processed for payment

Mari,

Melissa Delgado just talked about the two purchase orders that were not processed correctly. One thing is the status in DM was on “paid in full” and should have been “ready to pay” for the credits on PO 4516011477 with one amount entered incorrectly on our side and the other one was the invoice amount had to be broken down on different lines PO 4500609844.

I hope everyone knows that they may call or email me at any time with any questions they have.

Thank you for your quick response.

Thank you,

Terri Schaffer
Senior Specialist
Facilities Services
407.317.3700 Ext. 2025265

From: Espinal, Mari
Sent: Wednesday, January 20, 2016 10:59 AM
To: Schaffer, Terri L.
Cc: Frazier Thomas, Regina R.; Cook, John T.
Subject: RE: Facilities invoices not processed for payment

Hello Terri,

I appreciate you bringing this to my attention. I have spoken to Melissa regarding the process for ensuring that ALL facilities invoices get processed before the check run. In addition, we've talked about the auditing of the documents to ensure that those are completed by end of business Thursdays. We apologize that the processed is not currently being processed and have reiterated the process with Melissa to ensure this doesn't happen again. Because this was an oversight on our part, we are ensuring that anything that did not get processed on this week's check run gets processed and payed out this morning to avoid any late payments. One question I have is, what do you mean they are not processed correctly? Is it that the audit is not being done correctly or the payment? If you can clarify for me so I can have it corrected please. Again, I apologize about the inconvenience and please keep me posted if you run into any oversights in the future.

Warm Regards,

Mari Espinal

Sr. Specialist, Accounts Payable
Orange County Public Schools
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Cisco IP Phone: 9-2002474
Mari.Espinal@ocps.net

Payment Processing Contact Info:

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3200 x2003246
E-mail: Payments@ocps.net
mail: AccountsPayable@ocps.net

Travel Payables Contact Info:

Ph #: (407) 317-3200 x2003417
E-mail: TravelPayables@ocps.net

Vendor Payables Contact Info:

Ph #: (407) 317-
E-

From: Schaffer, Terri L.

Sent: Wednesday, January 20, 2016 9:01 AM

To: Espinal, Mari; Cook, John T.

Cc: Frazier Thomas, Regina R.

Subject: Facilities invoices not processed for payment

Importance: High

Good Morning Mari and John,

With my audit this morning, I found there are several invoices not processed for payment on today's check run. I also noticed there are a couple that were not processed correctly.

Mari as I mentioned to you the other day, the indexing is not being executed in a timely manner. This is true for when the invoices are processed and after the check run has been completed.

If you pull document manager from 01/04/2016 to 01/19/2016 you will be able to see what I am talking about.

Please provide me with an estimated time of completion.

Thank you,

Terri Schaffer
Senior Specialist
Facilities Services
407.317.3700 Ext. 2025265