



Volusia County Schools, Florida Internal Audit Follow Up

January 10, 2023

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TRANSMITTAL LETTER

January 10, 2023

The Audit Committee of the
School Board of Volusia County, Florida
200 North Clara Avenue
DeLand, FL 32720

Pursuant to our executed Internal Audit Services Agreement dated May 17, 2022, we hereby present the results of our follow-up procedures over the four (4) previously issued internal audit reports. The objective of this follow up was to obtain the status of prior audit observations, and management's remediation progress to-date. Below is a summary of the closed, in progress, and open observations within these internal audit reports:

			Open	
Internal Audit Report	Total Audit Items	Closed	In Progress	Not Started
Design and Construction <i>Issued October, 2020</i>	6	3	3	0
Maintenance Department Operations <i>Issued September, 2021</i>	5	0	5	0
White Fleet Management <i>Issued September, 2021</i>	7	0	7	0
Year End Tax Reporting and Disbursements <i>Issued September, 2021</i>	8	1	7	0

We would like to thank the staff and all those involved in assisting us with this follow up report.

Respectfully Submitted,



RSM US LLP

DESIGN AND CONSTRUCTION

Issued October 7, 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION

1. Thorough Review of Change Orders and Pay Applications

Risk Rating: High

Status: Open

Observation Summary

During our walkthroughs, we identified that although several groups are involved in the review process of pay applications and change orders, the roles/responsibilities of each group are not clearly defined. Through our detailed testing of construction change orders and pay applications (invoices), we noted inaccuracies that may have been identified by personnel through a more detailed review of supporting documentation prior to acceptance of the pay application or proposed change. Specifically, we identified inaccuracies in two (2) of six (6) change orders tested and two (2) of six (6) pay applications tested. In addition, the pay application and change order review process does not utilize a checklist as a means of verifying that all critical aspects of a review have been performed.

Recommendation Summary

We recommend that the District more clearly define the review process for pay applications and change orders, to include specific procedures to be performed, and/or expectations of the type of review performed by each group. For example, project managers (since they are on-site) should be responsible for validating quantities of general conditions items (labor hours, dumpsters, toilets, etc.), and assessing reasonableness of billings vs. project progress. Administrative personnel should be responsible for validating mathematical accuracy and that each item in a billing includes a corresponding support document. We also recommend the District implement a checklist(s) to facilitate the review process. The checklist should be attached to each pay application and change order and follow the document through the entire review process. Checklists should include a signature/initial block for each procedure, so the reviewing party can indicate performance of each step. We have included a leading practice checklist as an appendix to this report.

Management's Action Plan

Response: Checklist have been created as part of the review of change orders as well as pay applications. The checklist for pay applications clearly defines party responsibility and task to review.

Responsible Party: Director of Design & Construction; Business Services Divisions

Estimated Completion Date: September 21, 2020

Management's Response: January 2023

The District created and implemented a checklist for change order and pay app processing in October 2020. This was made available on November 28, 2022 for further audit review.

Updated Estimated Completion Date: November 28, 2022

Internal Audit Review

Due to District turnover prior to, and during, our follow-up procedures, it was unclear as to when remediation may have occurred and what process(es) might have been implemented. These challenges impacted our sample selection methodology and testing timeline. RSM will perform follow-up testing of this observation in fiscal year ("FY") 2023. This observation is in process.

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

2. Composition of Procurement Selection Committees	Risk Rating: High	Status: Closed
Observation Summary		
<p>Through our testing of project procurements, we noted that the selection committee for two (2) procurements was not formed in accordance with District Policy #605. One (1) procurement included a board member, which may increase real or perceived risk of inappropriate influence on selection decisions, and neither procurement included a citizen member, as required by policy. We also identified that one (1) of the selection committees included a majority of members from the Design & Construction Department (D&C). We recognize that the involvement of D&C is critical to assessing qualifications of prospective bidders, and that D&C should have strong committee representation considering their working relationship with an awarded vendor. However, a committee with majority D&C composition increases the risk of conflicts of interest (whether real or perceived) during the selection process, as D&C personnel are likely to have prior established relationships with proposing construction vendors.</p>		
Recommendation Summary		
<p>We recommend the District include a citizen member in future selection committees for projects in excess of \$2M to comply with the stated Policy. We further recommend the District consider modification of procedures for the RFQ Selection Committee to require a greater level of departmental diversity. Input from various Departments should be considered when modifying the procedure. In addition, we recommend that the District consider removing Board Members from future selection committees, as to not exert any unwanted influence over other selection committee members, improper segregation of duties, or conflicts of interest.</p>		
Management's Action Plan		
<p>Response: The CCNA Selection Procedure is being revised. Attached is the recent RFQ for Ortona-Osceola Elementary Master Plan implementing these suggestions. The Procedure for Policy 605 has been amended. Procedure for Policy 605 as drafted August 2020:</p> <p><i>"Selection Committee shall have a minimum of 5 members including representatives from Facilities with experience in planning, architecture, site acquisition, construction, building maintenance and operations; a finance representative or designee and others as deemed appropriate. Participation may be extended to include site administrator, and a citizen member, when the project estimated cost exceeds \$4,000,000 these representatives shall be included."</i></p> <p>Departments: 1. Planning & Construction (Director and Coordinator) 2. Building Department (Admin.) 3. Maintenance (Director) 4. Finance (Capital Projects Analyst). Designated department representative may assign a designee. Projects exceeding \$4,000,000 (CCNA): add citizen and site administrator. Board member no longer included in the committee.</p> <p>Responsible Party: Director of Design & Construction</p> <p>Estimated Completion Date: November 20, 2020</p>		

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

2. Composition of Procurement Selection Committees (continued)	
Internal Audit Review	
<p>RSM obtained and reviewed Policy 605 and noted that policy language has been revised to further define the appropriate composition of selection committees. Further, RSM selected three (3) project procurements and obtained the relevant selection committee documentation. All three (3) procurements contained representation from the Finance Department, from the community via citizen member participation, and did not include representation from the Board. All procurements were selected through a committee of at least five (5) individuals, whose experience covered various components of facility construction responsibilities. This observation is now closed.</p>	

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

3. Negotiation of Stipulated Rates

Risk Rating: Moderate

Status: Open

Observation Summary

During our detailed testing of construction invoices and in conversations with Management, we noted the District sometimes negotiates with contractors to establish rates within CMAR agreements. Although rates may be agreed with contractors, the District does not consistently maintain documentation supporting the reasonableness and methodology for determining the rates and did not modify contract language to reflect acceptable billing support for these items. Specifically, we noted instances where the District agreed to labor rates by position and to stipulated monthly vehicle rates. By design, CMAR agreements provide transparency of costs versus construction manager profits, by establishing a guaranteed maximum price (GMP) that includes actual costs, plus a percentage fee (profit). The contract templates utilized by the District contain provisions that require detailed support of actual costs for all items within the GMP. Although establishing rates can reduce administrative burden related to invoice review, this practice removes transparency of costs from the negotiated components. While negotiations to establish rates for certain components are commonplace, best practices include documenting the agreement in writing with the contractor, and documenting methodologies employed by the District for determining the reasonableness of rates agreed.

Recommendation Summary

When Management agrees to stipulated rates for certain components of a CMAR agreement, we recommend the District insert language or formal contract amendments, specifying which portions are stipulated rather than cost reimbursable. Further, we recommend the District perform pre-audits to support the reasonableness of fixed components, including documents reviewed to validate actual costs, historical cost comparisons, independent estimates, etc.

Management's Action Plan

Response: Insert language into the construction contract requiring daily timesheets and proof of CM payroll for each employee to be submitted with each application for payment.

Responsible Party: Director of Design & Construction; Director of Purchasing & Warehouse Services

Estimated Completion Date: February, 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

3. Negotiation of Stipulated Rates (continued)

Management's Response: January 2023	Internal Audit Review
<p>Rates breakdowns are provided by the CM at negotiations and reviewed based on historical rates prior to negotiations. Rates are provided in a spreadsheet and kept in their project file and used to verify pay app. This finding is ready for testing.</p> <p>Updated Estimated Completion Date: January 19, 2022</p>	<p>Due to District turnover prior to and during our follow-up procedures, it was unclear as to when remediation may have occurred and what process(es) might have been implemented. These challenges impacted our sample selection methodology and testing timeline. RSM will perform follow-up testing of this observation in FY 2023. This observation remains open.</p>

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

4. Decentralized Procurement Policies		Risk Rating: Moderate	Status: Open
Observation Summary			
<p>Through our walkthroughs, we noted that procurement of construction contracts is currently decentralized and managed by Design & Construction Department, rather than the Purchasing & Warehouse Services Department. This practice of decentralized procurement is inconsistent with leading practices we observe at similar entities. Further, in our testing, we noted noncompliance with the Purchasing policy, as detailed in Observation #2 above. Many state statutes define appropriate procurement methodologies, thresholds, and provide overall guidance for the purchase of services with public funds. District policies, while consistent with statute, generally apply more stringent requirements. Verifying compliance with various statutes and policies is complicated, and purchasing departments are specifically equipped to independently facilitate the process, with personnel fully dedicated to performing purchasing duties. Decentralized procurement increases several risks including noncompliance with statute and policy, inappropriate segregation of duties, and independence and conflicts of interest, which all contribute to the risk of negative public perception.</p>			
Recommendation Summary			
<p>We recommend the District shift responsibilities of facilitating construction procurement to the Purchasing & Warehouse Services Department. Considering that construction procurements are unique, and often require specialized knowledge, this recommendation is not intended to remove D&C from the procurement process. Rather, we recommend that D&C personnel work in conjunction with Purchasing to provide technical assistance in scope development, qualifications review, contract negotiations, and other areas as needed. This, combined with the Purchasing & Warehouse Services Department's assumption of responsibility for solicitation advertisement, collection of bids/proposals, organization of committees, and scoring/ranking will provide the District with an independent procurement process, while allowing D&C to continue providing construction expertise in critical areas.</p>			
Management's Action Plan			
<p>Response: Facilities Planning & Construction and the VCS Purchasing Department will hold a series of workshops to determine the proper division of responsibilities for the procurement of professional design and construction services.</p> <p>Responsible Party: Director of Design & Construction; Director of Purchasing & Warehouse Services</p> <p>Estimated Completion Date: February 28, 2020</p>			
Management's Response: January 2023		Internal Audit Review	
<p>After further conversation internally, the Chief Operating Officer is reassessing the workflow of information between the two departments and will provide a recommendation on moving construction procurement oversight to the Purchasing and Warehouse Services Department.</p> <p>Updated Estimated Completion Date: June 1, 2023</p>		<p>Per Management, remediation actions have not yet been performed. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation is in process.</p>	

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

5. Proposal Documentation Requirements	Risk Rating: Moderate	Status: Closed
Observation Summary		
<p>Through our review of sampled procurement documents, we noted that required submissions do not consistently align with the evaluation and scoring of responses. The District evaluates proposals for construction management services based on the following criteria: past performance; experience; timeline; budget adherence; ability to perform. Although this criterion provides a foundation for objective scoring, we noted the proposers are required to provide substantial information relevant to the comparison of qualifications among respondents, which include: office location; indication of other Volusia area projects; description of equipment and technology available; experience in community engagement, etc. Further, we noted that the District equally weights all proposal scoring criteria, and limits scoring to a scale of 1-5.</p>		
Recommendation Summary		
<p>We recommend the District more clearly define how the documents required by RFQ respondents are factored into the scoring categories used by the selection committee. Additionally, we recommend the District consider restructuring the scoring of RFQs to more precisely differentiate scoring criteria and weighting. The District may also consider expanding the scoring range to allow for a wider range of possible scores, further enhancing the scoring of a proposal's strengths and weaknesses.</p>		
Management's Action Plan		
<p>Response: Revised the RFQ and scoring sheet (ref: Ortona-Osceola CM RFQ and shortlist rating template). Scoring criteria is specified within the RFQ and directly correlates to the scoring sheet. Score using Adjectival Rating times a weighted value as determined by specific criteria related to the Project.</p> <p>Responsible Party: Director of Design & Construction</p> <p>Estimated Completion Date: November 20, 2020</p>		
Internal Audit Review		
<p>Through discussion with management, we noted that the Design & Construction Department collaborated with the Purchasing & Warehouse Services Department to revise the RFQ scoring procedures and related documents. RSM selected a sample of three (3) solicitation packages and noted that each solicitation evaluation utilized a weighted score of one (1) through ten (10) and utilized scoring criteria that matched directly to the solicitation document itself. Further, RSM recalculated the scores to review appropriateness of selections and found no exceptions. This observation is now closed.</p>		

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

6. Improper Retainage Calculation	Risk Rating: Low	Status: Closed
Observation Summary		
<p>Through our testing of pay applications, we noted that retainage was not released in accordance with Florida Statute for two (2) of ten (10) projects tested. We recognize that the language stated in Florida State Statute 255.078 may cause some confusion regarding which party is responsible for initiating a retainage reduction. Contractors are required to submit pay applications to the District over the course of the construction process, and it is the responsibility of the District to review and promptly pay the contractor. Although the contractor submits a pay application to the District, subsection 2 of the statute quoted above states that the public entity must reduce retainage.</p>		
Recommendation Summary		
<p>We recommend the District review all current projects, to assess whether retainage is withheld in accordance with statute, and to reduce retainage where appropriate. We further recommend the District implement additional steps as part of the pay application review process to validate that retainage is appropriately calculated. Refer to the recommendation in Observation #1 above regarding usage of a pay application review checklist.</p>		
Management's Action Plan		
<p>Response: Checklist created as part of the pay application review which includes ensuring retainage is correct and substantial completion has been met. Responsible Party: Facilities Business Services Division Estimated Completion Date: November 20, 2020</p>		
Internal Audit Review		
<p>RSM noted that Florida State Statute 255.078 was updated and, effective October 1, 2020, the District is no longer required to calculate and adjust retainage at the substantial completion point of a project. Instead, retainage may be kept at 5% throughout the lifetime of a project. The retainage no longer needs to be calculated and changed during the project's lifecycle. This observation is now closed.</p>		

MAINTENANCE DEPARTMENT OPERATIONS

September 16, 2021

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS

1. Emergency Purchase Authorizations		Risk Rating: High	Status: Open
Observation Summary			
<p>The District has self-identified a control gap regarding the authorization and management of emergency purchases. In the current Oracle configuration, purchase orders designated as “emergency purchases” may be automatically approved without authorization from the Purchasing & Warehouse Services Department. Through discussions with the Director of Purchasing & Warehouse Services, management is currently implementing a control structure to enhance visibility and management of emergency-related disbursements. This solution includes three components: a systematic, preventative control within Oracle to route emergency purchases through procurement for approval; a manual, detective control to identify direct pay emergency purchases prior to payment; formalized training for internal account and District bookkeepers to deepen understanding of emergency purchase protocols.</p>			
Recommendation Summary			
<p>We recommend testing the operating effectiveness of these controls twelve (12) months after implementation. We also recommend the District consider establishing a quarterly reporting cadence to identify and review any purchases designated as “emergency” within Oracle.</p>			
Management's Action Plan			
<p>Response: The District will establish a control within Oracle that will ensure proper routing to Procurement Services. The District will test the operating effectiveness of these controls twelve (12) months after implementation. The District will establish a quarterly report to identify and review any purchases designated as “emergency” within Oracle to ensure fidelity of the control.</p> <p>Responsible Party: Director of Purchasing & Warehouse Services; Chief Information Officer</p> <p>Estimated Completion Date: June 30, 2022 to implement control, and June 30, 2023 to test control</p>			
Management's Response: January 2023		Internal Audit Review	
<p>Oracle has been configured with the proper workflow. Email notification was sent to RSM from the ERP Administrator confirming internal testing of the system. This observation is ready for testing.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>		<p>Per Management, remediation has been completed and confirmed in January 2023. RSM will perform follow-up testing of this observation in FY 2023. This observation remains open.</p>	

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

2. Job Cost Capture: Oracle and AiM

Risk Rating: High

Status: Open

Observation Summary

During our walkthrough procedures with management, we discussed the recent integration of the Oracle financial system and noted a gap in the bridge between Oracle and AiM. Work orders recorded within AiM may not include job costs captured within Oracle. This data gap includes costs and work orders dating back to Oracle's implementation in 2019 and has since caused significant delays in work order closure and inaccuracies in financial reporting.

Recommendation Summary

We recommend the District consider the following options to address the issues identified: (1) formally assign IT resources specifically dedicated to Oracle issue resolution, and consider a deep dive into the technical infrastructure that may have caused this issue; (2) implement a new work order system that is more integrated with the Oracle financial system; and (3) review Oracle capabilities to support work order management. Until a systematic solution is found, the District should manually capture costs to support business decisions and track performance.

Management's Action Plan


Response: Work with Information Technology Services to support IT resources around development into the technical infrastructure--including implementation of a new work order system, capturing labor hours and costs, and determine whether Oracle has the capability to support work order management.

Responsible Party: Director of Maintenance and Operations; Chief Information Officer

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

2. Job Cost Capture: Oracle and AiM (continued)

Management's Response: January 2023	Internal Audit Review
<p>The Chief Operating Officer will facilitate cross-departmental meetings to ensure cohesive implementation moving forward. The interface has been corrected between the two systems and is ready for testing.</p> <p>Updated Estimated Completion Date: February 3, 2023</p>	<p>Per Management, the District has updated the AiM application to include additional modules capable of capturing all job costs. Oracle is no longer used as the primary data source for maintenance-related costs; instead, journal entries are made each week to reconcile between Oracle and AiM.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.</p> <p> During our follow-up conversations with Maintenance & Operations and with Purchasing & Warehouse Services, RSM noted that various parties involved with this observation have inconsistent understanding of the remediation actions performed and of the required next steps. We recommend that the District's Operational Division establish a periodic, cross-departmental working session to discuss and collaborate on all remediation plans, focusing specifically on how changes may affect peripheral department(s). Representatives from Maintenance & Operations, Purchasing & Warehouse Services, Information Technology, and the Finance departments should be included in these meetings, at a minimum.</p>

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

3. Project Ownership: Maintenance versus Design & Construction		Risk Rating: Moderate	Status: Open
Observation Summary			
Based upon discussion with both Design & Construction (“D&C”) and Maintenance & Operations (“M&O”) personnel, we noted that there is no formal process for appropriately assigning projects between teams based on experience, capabilities, or project size. Recently implemented by the current COO, M&O and D&C conduct bi-weekly meetings to discuss possible crossover of projects, or the status of on-going activities; however, there is no specific language within the current policies and procedures that define and/or outline how to identify whether a project should be “owned” by M&O or by D&C.			
Recommendation Summary			
We recommend the District formally document expectations and procedures when delineating projects between Design & Construction and Maintenance & Operations departments. These policies may include, at a minimum: thresholds based on project size, scope, and dollar amount; criteria based on local, state, and federal mandates; experience and skill set of both teams.			
Management's Action Plan			
<p>Response: The Maintenance & Operations and Design & Construction teams meet bi-weekly to discuss projects and determine appropriate department. Department leadership teams will meet with COO to develop procedures and expectations for meetings, including, but not limited to: thresholds based on project size, scope, and dollar amount; criteria based on local, state, and federal mandates; experience and skill set of both teams.</p> <p>Responsible Party: Chief Operating Officer; Director of Design & Construction; Director of Operations & Maintenance.</p> <p>Estimated Completion Date: June 30, 2022</p>			
Management's Response: January 2023		Internal Audit Review	
<p>The Operations Division is establishing procedure(s) to adhere to policies on what function belongs to Construction and what belongs to Maintenance. The anticipated completion date is April 1, 2023. The Division will also create a flow chart with a decision tree to further clarify the procedure.</p> <p>Updated Estimated Completion Date: April 1, 2023</p>		<p>Through discussion with Management, we noted that formal, documented guidance regarding project ownership has not yet been developed. However, we obtained copies of meeting invitations and meeting minutes to evidence that regular meetings between the Design and Construction and Maintenance & Operations Departments are being held on a recurring basis to discuss current projects. As such, this observation remains open.</p>	

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

4. Work Order Management		Risk Rating: Moderate	Status: Open
Observation Summary			
Based upon discussion with Maintenance & Operations personnel, along with a review of current policies, procedures, and best practices, we noted the following exceptions: 20% of the sampled work orders were created and approved by the same person; 20% of the sampled work orders did not have evidence of work order creation approval; 70% of the sampled work orders did not contain reference to a Customer Service Request (CSR), which would have initiated the work; 100% of the sampled work orders did not have evidence of Supervisory review.			
Recommendation Summary			
We recommend the Maintenance & Operations Department revisit the policies and procedures associated with customer service requests, work order creation and approval, as well as the review of completed work. We recommend strengthening the current processes to ensure work orders include appropriate documentation of the CSR and that all work orders receive proper approval. Further, we recommend that the 5% audit requirements are monitored, and that functionality be introduced into the AiM workflow to appropriately document work orders to include documented review requirements. This functionality will be able to drive reporting to validate compliance with review requirements.			
Management's Action Plan			
<p>Response: Maintenance & Operations Department revisit the policies and procedures associated with customer service requests, work order creation and approval, as well as the review of completed work. Strengthen new processes around work orders including appropriate documentation of the CSR and that all work orders receive proper approval from a supervisor or higher. Further, 5% audit requirements are monitored, and that the AiM workflow must appropriately document work orders after receiving the detailed review. Alternatively, a separate workflow can be configured to route higher cost, or higher priority work orders to include documented review requirements. This functionality will be able to drive reporting to validate and monitor compliance with review requirements.</p> <p>Responsible Party: Director of Operations & Maintenance; Coordinator of Operations & Maintenance</p> <p>Estimated Completion Date: June 30, 2022</p>			
Management's Response: January 2023		Internal Audit Review	
SOP for the CSR process has been created and reviewed by leadership. The internal testing is currently being conducted. This process will be ready for testing by RSM NLT 2/1/2023. Management to clarify current procedures for transparency from customer service request (CSR) to WO status. Will be ready for testing on April 1, 2023. The District has implemented measures to meet the 5% minimum standard for WO Audits. Ready for testing January 31, 2023.		The Department provided the draft SOP (# FSM 3.4.04-01) related to enhanced work order management procedures. RSM reviewed and noted that it contains details related to work order supervisory review. We noted that the SOP does not yet contain requirements related to work order creation, approval, segregation of duties, or CSR information. Through discussion with Management, we noted that revision to SOP # FSM 3.4.04-01 and related procedures are currently in progress. As such, this observation remains open.	
Updated Estimated Completion Date: April 1, 2023			

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

5. Policy Language for Piggyback Agreements		Risk Rating: Low	Status: Open
Observation Summary			
As part of our walkthrough procedures, we discussed the use of “piggyback” agreements across the District. Upon review of District policies and procedures, we noted there is limited language related to the requirements for requesting to use and receiving approval from appropriate parties to execute a new agreement using an active contract at another jurisdiction.			
Recommendation Summary			
We recommend the District enhance their policies to document current processes relating to requesting and executing piggyback purchases. Policy verbiage may include: the assignment of review and approval authorities based on dollar value thresholds (including sign-off from Legal, Purchasing & Warehouse Department, and/or the Board as appropriate); listing the required documents from the original entity; describing the review process of those documents; procedures detailing the solicitation of vendor signatures on the contract execution page. We also recommend the District consider gathering documentation to validate compliance by the original entity that executed the agreement.			
Management's Action Plan			
<p>Response: Enhance policies to document current processes relating to requesting and executing piggyback purchases. Policy verbiage may include: the assignment of review and approval authorities based on dollar value thresholds (including sign-off from Legal, Purchasing, and/or the Board as appropriate); listing the required documents from the original entity; describing the review process of those documents; procedures detailing the solicitation of vendor signatures on the contract execution page. Gather documentation to validate Volusia County Schools contract compliance by the original entity that executed the agreement.</p> <p>Responsible Party: Director of Purchasing & Warehouse Services</p> <p>Estimated Completion Date: June 30, 2022</p>			
Management's Response: January 2023		Internal Audit Review	
Email was sent to RSM with evidence of procedure/checklist related to the Piggybacking. This observation is ready for testing.		RSM received communication from Management in January 2023 that this observation is now ready for testing. RSM will perform follow-up testing in FY 2023. This observation remains open.	
Updated Estimated Completion Date: January 19, 2023			

WHITE FLEET MANAGEMENT
September 16, 2021

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT

1. District – Retirement of Fixed Assets

Risk Rating: High

Status: Open

Observation Summary

As part of our testing of vehicle retirements, we requested documentation to evidence that the vehicles were properly retired in Oracle. We obtained communication from the Inventory Specialist stating that the District has been unable to process a retirement in Oracle due to ERP implementation setbacks but is continuing to seek resolution.

Recommendation Summary

We recommend the District retire all disposed vehicles in the financial system. If there is a system issue / limitation, develop a workaround to validate that any remaining value left on disposed vehicles has been written down to \$0 while the asset remains on the fixed asset register pending retirement at a later date.

Management's Action Plan


Response: With our legacy system, SmartStream, retirements and disposals of fixed assets went for board approval on a quarterly basis. With this process in place, our Fixed Asset team would deliver this information to our Finance team for removal of the asset from our Financial Statements. With our current system, Oracle, retirements and disposals are not going before the board for approval but are being transferred to a "Hold Location" with a disposition code and date. Our ITS department and our Fixed Asset team are currently working on pulling the necessary data through a report from our Oracle system to provide that information to our Finance Team for removal of the assets from our Financial Statements. Our ITS department is also contacting our Oracle system team to understand how the items can be placed into the "Hold Location" without continuing to depreciate until they can be officially deleted from Oracle.

Responsible Party: Finance Director; Capital Projects Analyst

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

1. District – Retirement of Fixed Assets (continued)

Management's Response: January 2023	Internal Audit Review
<p>The fixed asset functionality no longer resides in Oracle. This functionality was moved to FOCUS software. Every month assets are added to the FOCUS system manually and reconciled to the Oracle asset expenditure account. Going forward when a vehicle is retired in FOCUS it is first board approved and then moved from an active status to an inactive status in FOCUS. The Chief Operating Officer will facilitate cross-departmental meetings to ensure cohesive implementation moving forward.</p> <p>Updated Estimated Completion Date: January 31, 2023</p>	<p>Through discussions with Management, we noted the District implemented a new fixed assets inventory management system, FOCUS, and processed the first retirement in June 2022. This first retirement batch included vehicles from July 2019 through February 2022.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.</p> <p> During our follow-up conversations with Management, RSM noted that the various parties involved with this observation have inconsistent understanding of the remediation actions performed and of the required next steps. We recommend that the District establish a periodic, cross-departmental working session to discuss and collaborate on all remediation plans, focusing specifically on how changes may affect peripheral department(s). Representatives from the Purchasing & Warehouse Services Department and from Financial Services should be included in these meetings, at a minimum.</p>

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

2. Facilities – Policies and Procedures Documentation

Risk Rating: High

Status: Open

Observation Summary

During information-gathering procedures, we noted that Facilities Services does not have exiting procedural documents that define and facilitate their processes and activities specific to the maintenance and repair of their white fleet vehicles, including utilization of the work order system, preventative maintenance, vehicle repairs, parts acquisition, and collection/use of data for analysis. Processes are informal and undocumented.

Recommendation Summary

We recommend the development of comprehensive procedures related to the maintenance and repair of white fleet vehicles and related fleet management. Procedures should be developed based on existing District policies, practices, and systems. Additionally, we recommend implementing an annual review and approval process of established procedures and policies to ensure ongoing accuracy and appropriateness.


Management's Action Plan

Response: Centralize the white fleet management process for transportation and facilities vehicles to use a single system for assignment of vehicles, scope of usage, maintenance and repair activities, parts acquisition, and data analysis. As part of centralization, develop and approve a comprehensive set of policies and procedures documentation.

Responsible Party: Assistant Director of Student Transportation Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

2. Facilities – Policies and Procedures Documentation (continued)	
Management's Response: January 2023	Internal Audit Review
<p>This process was moved to Student Transportation Services (STS) and the tracking software used for maintenance and support is TRANSMAN. This is ready for testing. The Chief Operating Officer will facilitate cross-departmental meetings to ensure cohesive implementation moving forward.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>	<p>Through discussion with Management, we noted that the District's White Fleet is now fully owned and managed by the Transportation Services Department. The Transportation team has drafted an SOP related to White Fleet objectives, procedures, roles, responsibilities, administration, and reporting, and has solicited feedback from the internal auditors. That feedback is currently being incorporated into the next iteration of the document.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed and related policies and procedures are finalized. As such, this observation remains open.</p> <p> During our follow-up conversations with Management, RSM noted that the various parties involved with the remediation of this observation have inconsistent understanding of the remediation actions performed and of the required next steps. We recommend that the District establish a periodic, cross-departmental working session to discuss and collaborate on all remediation plans, focusing specifically on how changes may affect peripheral department(s). Representatives from the Student Transportation Department and Purchasing & Warehouse Services Department should be included in these meetings, at a minimum.</p>

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

3. Facilities – Fleet Management Software Functionality Limitations

Risk Rating: High

Status: Open

Observation Summary

AiM is not intended to provide the level of detail or capture the specific data (labor and parts costs per repair/maintenance event) needed to effectively monitor fleet maintenance operations, and to properly analyze fleet vehicles and make informed decisions. Further, AiM is not designed to allow for establishing preventive maintenance schedules, necessitating the use of workarounds to identify vehicles due for preventive maintenance. We reviewed the population of work orders opened during the review period and evaluated the quality and consistency of the information captured. Specifically, our testing noted: 20 work orders in which the labor hours captured appear to be excessive; 1,123 work orders in which no labor hours were captured in the work order detail, despite the work order description indicating that labor would have been required; 1,410 work orders in which there were no costs recorded for parts; 792 work orders that remained open for extended periods of time. Additionally, we noted that 100% of the sampled vehicles did not contain evidence that they were included in the scheduling of preventative maintenance, and 30% of the sampled vehicles did not contain evidence that the preventative maintenance was completed.

Recommendation Summary

We recommend that the District review the fleet management software utilized for fleet maintenance operations and determine if the needs of the departments and the District were being effectively met. Per observation #2, the District would have the opportunity to streamline under one single fleet management system if and when operations became centralized.

Management's Action Plan

Response: Conduct a SWOT analysis on AiM and Transman to identify the go-forward single infrastructure solution for tracking all components named in the audit, inclusive of life cycle management, addition and deletion tracking. Implement the identified system across the consolidated Fleet Management function.

Responsible Party: Assistant Director of Student Transportation Services; Chief Information Officer; Chief Operating Officer

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

3. Facilities – Fleet Management Software Functionality Limitations (continued)

Management's Response: January 2023	Internal Audit Review
<p>This function has been moved to STS using the TRANSMAN software for tracking the lifecycle and Preventive Maintenance. It is ready for testing.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>	<p>Management stated that after analyzing the capabilities of AiM, the District has opted to replace AiM with TRANSMAN, which was used prior to the Oracle implementation and has since been used within the Student Transportation Department.</p> <p>To allow new processes and systems to be internally reviewed and analyzed after implementation, we recommend performance of follow-up testing after the implementation of TRANSMAN. This observation will be testing in FY 23. As such, this observation remains open.</p>

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

4. Facilities – Purchasing Card Parts Purchases

Risk Rating: High

Status: Open

Observation Summary

P-Card vehicle parts purchases are reviewed by Facilities Maintenance & Operations (“M&O”) administrative personnel to validate that the purchase receipt agrees to the P-Card charge amount, along with a cursory review to verify that the charges appear to be Fleet-related. However, a detailed, technical review is not performed by someone independent to verify that the vehicle parts purchased coincide with the specific work being performed on a given vehicle. Additionally, vehicle parts purchases are aggregated and added to vehicle work orders within the AiM system. There is not a process to document vehicle parts purchases in the respective work order phases so that the cost of individual repairs, or the total cost of vehicle maintenance and repair can be accurately calculated. Specifically, our testing noted 1,410 work orders in which there were no costs recorded for parts, despite the work order description indicating that parts would have been required to address the issue noted in the work order description. Of the 1,410 work orders, we selected a sample of 267 that had no parts costs captured on the work order. For each sample selected, we requested support for the lack of parts costs. Management provided a response attributing the lack of parts costs to the limitations of the AiM system, rather than an actual reflection on the cost of any parts used in the associated repairs.

Recommendation Summary

We recommend that Facilities Maintenance & Operations develop, document, and implement a process to perform an independent technical review of P-Card vehicle parts purchases to verify that purchases are appropriate for open maintenance and repair order needs and supported by work order documentation (notes, repair codes, etc.). We further recommend that M&O identify a method for better tracking the vehicle repair parts costs associated with the completion of each vehicle maintenance and repair work order, which will allow for better, more consistent data regarding the costs of repairs.

Management's Action Plan

Response: Establish a 1:1 relationship between a part and a vehicle and ensure an economy of scale approach is established for part ordering and inventory management. Every P-Card transaction must have a corresponding vehicle number, work order number, and cost (labor/part) which are captured within the vehicle management system. Establish a refined P-Card training module for white fleet maintenance and repair orders.

Responsible Party: Assistant Director of Student Transportation Services; Director of Purchasing & Warehouse Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

4. Facilities – Purchasing Card Parts Purchases (continued)	
Management's Response: January 2023	Internal Audit Review
<p>This function has been moved to STS. The TRANSMAN software is tracking the repair costs and capturing the management of each vehicle. It is ready for testing.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>	<p>The Management team stated that after analyzing the capabilities of AiM, the District has opted to replace AiM with TRANSMAN, which was used prior to the Oracle implementation.</p> <p>RSM will perform testing of this observation in FY 23. This observation remains open.</p>

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

5. Facilities and Transportation – Decentralized Fleet Maintenance Operations

Risk Rating: High

Status: Open

Observation Summary

Fleet maintenance operations within the District are performed by both Student Transportation Department (“Transportation”) and the Facilities Maintenance & Operations (“M&O”) Department. With a few exceptions, Transportation and M&O fleet operations are conducted and managed independently. Through our procedures and walkthroughs, we found that there is generally a lack of coordination between Transportation and M&O. As a result, each department procures vehicles independently, has their own agreements with parts and services vendors, maintains their own equipment and tools, and manages their own vehicles. Additionally, Transportation and M&O utilize their own separate Fleet Maintenance IT systems.

Recommendation Summary

We recommend that the District review the current organizational structure wherein fleet maintenance operations are decentralized and split among two separate departments. The District should evaluate alternative organizational structures that could result in increased efficiencies, cost savings, increased vehicle availability, and the elimination of redundancies inherent in maintaining two separate fleet operations, run independently and led by two separate management teams, each with their own administrative personnel. The evaluation should consider, but not be limited to: the location of the using departments and vehicles being served, the current responsibilities and expertise of personnel at each location, the performance of both technical and administrative personnel throughout each department and location, the availability of parts inventories, and relationships and agreements with vehicle parts and services vendors. If management should choose to not centralize the operations of transportation and M&O, management should consider alignment of policies and procedures along with monitoring of key processes.

Management's Action Plan


Response: Centralize white fleet management under Transportation Services. This will ensure alignment of policies, procedures, and enforcement guidelines across the white fleet. Regular monthly monitoring meetings will occur between Assistant Director, Finance & Fleet Management, Transportation Services, the Chief Operating Officer, and the Director of Maintenance.

Responsible Party: Assistant Director of Student Transportation Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

5. Facilities and Transportation – Decentralized Fleet Maintenance Operations (continued)

Management's Response: January 2023	Internal Audit Review
<p>This process has been moved to STS. It is ready for testing. The Chief Operating Officer will facilitate cross-departmental meetings to ensure cohesive implementation moving forward.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>	<p>Management stated that the District's White Fleet is, as of March 2022, wholly owned by the Student Transportation Department. Per the remediation plan, the regular monthly cross functional meetings have not yet been established to discuss remediation. As such, this observation remains open.</p> <p> During our follow-up conversations with Management, RSM noted that the various parties involved with the remediation of this observation have inconsistent understandings of the remediation actions performed and of the required next steps. We recommend that the District establish a periodic, cross-departmental working session to discuss and collaborate on all remediation plans, focusing specifically on how changes may affect peripheral department(s). Representatives from the Student Transportation Department and Maintenance & Operations should be included in these meetings, at a minimum.</p>

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

6. Facilities and Transportation – Vehicle Replacement Criteria

Risk Rating: Moderate

Status: Open

Observation Summary

White fleet vehicles may need to be retired for several reasons, including mileage, age, irreparable damage due to an accident, or in some cases operational failure. To most effectively retire vehicles before operational failure, a number of variables must be considered to appropriately identify and select vehicles for retirement. Student Transportation Department and Maintenance and Operations currently use vehicle age and mileage as the initial determinant of white fleet replacement eligibility. There are subsequent discussions with using departments to further evaluate each vehicle proposed for retirement to consider factors such as reliability (based on available information) to determine whether to replace or retain each vehicle. The implementation of a more robust scoring method would provide an objective list of vehicles that should be replaced based on several different metrics and factors.

Recommendation Summary

We recommend Student Transportation Department and Maintenance & Operations consider the adoption of a more robust, quantitative criteria for vehicle replacement, which considers additional variables such as maintenance history, vehicle reliability, vehicle condition, etc. Quantitative factors could include: age, miles/hours, type of service, reliability, maintenance and repair costs, and condition. A timeline for adoption should be defined and adhered to. Once adopted, the additional criteria should be added to updated fleet standard operating procedures so all stakeholders are aware of the inputs for this decision-making process. Review of vehicles subject to replacement should be performed, at the least, on an annual basis.

Management's Action Plan

Response: Establish criteria for vehicle replacement and ensure updates of a current addendum to the white fleet operator's manual every year. The criteria may be dependent upon the purpose of the vehicle.

Responsible Party: Assistant Director of Student Transportation Services; Coordinator of Finance and Data in Maintenance & Operations Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

6. Facilities and Transportation – Vehicle Replacement Criteria (continued)

Management's Response: January 2023	Internal Audit Review
<p>The new SOP has been created to include the enhanced criteria of replacement. The process has been formalized and established. It is ready for testing.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>	<p>Through discussion with Management, we noted the Student Transportation Department has developed a draft White Fleet SOP, which includes an updated Vehicle Justification Form.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open and will be tested in FY 23.</p>

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

7. Facilities and Transportation – Documentation of Vehicle Additions & Retirements

Risk Rating: Moderate

Status: Open

Observation Summary

Fleet vehicle purchase requests require business case justifications supporting the need to purchase the requested vehicle. Justifications could include increased headcount or the need to retire/replace unreliable vehicles. Similarly, vehicle retirements require documentation that evidences the completion of activities associated with the retirement of fleet vehicles. These steps include the completion of maintenance tasks that remove District decals, sensitive or prohibited equipment, emergency lights, etc. We selected a sample of five vehicle additions and conducted detailed testing, which identified the following instances related to insufficient purchase documentation: Two of selected vehicle purchases did not have a documented reason as to why the new vehicle was appropriate use of departmental funds. As it relates to vehicle retirements, we noted that none of the sampled retirements had a completed decommissioning work order, and none of the sampled retirements had an appropriately completed Transfer of Assets form.

Recommendation Summary

We recommend Student Transportation Department and Maintenance & Operations verify that all vehicle purchase requests include appropriate business case justifications prior to vehicle purchase, verify that evidence of approval for all vehicle retirement requests is properly documented and retained, and verify that all vehicle retirements are supported by completed decommissioning/dead lining work orders prior to completing the vehicle retirement and allowing the removal of the vehicle for sale.

Management's Action Plan

Response: We must build out a new business case model for all proposed white fleet additions/replacements. All new white fleet purchases must have a business case attached by the requestor. The BPO, Christopher Boyer, will vet all new requests with the Chief Operating Officer.

Responsible Party: Assistant Director of Student Transportation Services; Chief Operating Officer

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

7. Facilities and Transportation – Documentation of Vehicle Additions & Retirements (continued)

Management's Response: January 2023	Internal Audit Review
<p>This is part of the revised White Fleet SOP. It is currently in the approval process and is ready for testing.</p> <p>Updated Estimated Completion Date: January 19, 2023</p>	<p>Through discussion with Management, we noted that the Student Transportation Department has drafted a White Fleet SOP, including decommissioning information. In addition, a Vehicle Justification Form will be utilized for each vehicle addition. Formalization of these processes, and communication of expectations to Student Transportation Department team members has not yet been completed.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open and will be tested in FY 23.</p>

YEAR END TAX REPORTING AND DISBURSEMENTS
September 16, 2021

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures

Risk Rating: High

Status: Open

Observation Summary

During our review, we noted that policy and procedural documentation regarding key functions were outdated and, in some cases, obsolete. We noted that the latest revisions to Finance policies and procedures were made in 2015. The Finance Department is in the process of updating policies and procedures to align with the new Oracle application. However, through discussions with management we noted that no formal process for periodically updating policies and procedures existed even prior to software implementation. The Payroll Services Department was also found to maintain outdated policies and procedures that referenced applications no longer utilized by the District. The current policy does not provide updated guidance on how to complete current tasks, when to complete them, or defined roles and responsibilities for those tasks. Lastly, we noted that the Benefits Department retained outdated policies and procedures, last updated in 2006. While the Benefits Department does utilize checklists for some tasks, a formal process for reviewing and updating this tool for accuracy does not yet exist. The policies retained in the Payroll and Benefits Departments also affect external departments, such as IT.

Recommendation Summary

We recommend the District perform a formal review of policies and procedures for incomplete / outdated material on at least an annual basis or when a change occurs. All written procedures should be updated for accuracy and completeness. All relevant processes should be contained within the formalized procedures and should define how core functions are performed for all Payroll, Benefits, and Finance tasks. We recommend each respective Department consider utilizing checklists to provide structure and organization.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures (continued)

Management's Action Plan

Payroll Responses: Payroll will work with Human Resources and the legal department to develop a school board policy for Payroll and will also review and revise Policy 417. The payroll procedural manuals are in the process of being reviewed and updated based on current practice.

Responsible Party: Payroll Coordinator; HR Coordinator; Legal

Estimated Completion Date: June 30, 2022

Finance Responses: A formal review of Finance policies and procedures has begun, and all key processes in Oracle have been documented. A formalized comprehensive policies and procedures manual will be developed to incorporate all core functions in Finance by June 2022. The new ERP software is not functioning as designed in many areas and work around processes were developed as we continue to work through functional issues

Responsible Party: Finance Director

Estimated Completion Date: Current processes will be reviewed and updated to present practices by June 30, 2022

Benefits Response: We have processes documented; however, they will significantly change based on the direction of the new software.

Responsible Party: Risk and Benefits Management Director

Estimated Completion Date: Current processes will be reviewed and updated to present practices by June 30, 2022. After this, a formal review of processes will occur annually, and updates will be made to align with the current practices

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures (continued)

Management's Response: January 2023	Internal Audit Review
<p>The Finance Dept has created and finalized a Policies and Procedures Manual (April 2022). As the manual is updated, a revision history log will be added to the document.</p> <p>The payroll department updated the Policies and Procedures Manual (July 2022). This will be updated as needed based on procedural changes.</p> <p>The software has been implemented and will continue to develop the manual.</p> <p>The HR department is working on a policies and procedures manual but at this time it is not complete.</p> <p>Updated Estimated Completion Date: June 30, 2023</p>	<p>RSM obtained the updated "Finance Department Policies and Procedures" document from management, which was last revised in April 2022. We noted that there were specific step-by-step procedures related to accounts payable, receipting and recording, and bookkeeping. We recommend that, as part of finalization, a review and revision history log is added to the document.</p> <p>RSM also obtained the Board approved Payroll Policy 419. Through discussion with Management, detailed internal procedures are a work-in-progress. RSM further noted that updated procedures covering Payroll, Benefits, and HR have not yet been drafted.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.</p>

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

2. Payroll: Formalized Training, Roles, and Responsibilities

Risk Rating: High

Status: Open

Observation Summary

During our review, we noted that no formal process exists to provide formal training to assist with change management within the Payroll Services Department. We noted that a process does not exist to formally communicate current practice or obtain acknowledgment from team members of their respective roles and responsibilities. Through conversations, we noted that informal training is often completed when roles and responsibilities shift but such training is performed inconsistently and without documentation. Furthermore, we noted that during this period of recent significant change in Payroll, job responsibilities have shifted without formal involvement from the Human Resources team.

Recommendation Summary

We recommend the Payroll Services Department assess each position's role and responsibility and make any updates to job descriptions needed. The Payroll Department should implement a formal training process for each position. We also recommend the Finance and Payroll Departments consider collaborating with Human Resources to review changes to roles and responsibilities and update job descriptions, if needed, to accurately record compensation levels and experience requirements. Lastly, we recommend the Department consider performing a skills analysis to compare departmental need versus the current roles and responsibilities.

Management's Action Plan

Response: A needs assessment for training has been conducted for the payroll staff. Based on the results, a training schedule has been implemented and will be ongoing throughout the year. Job descriptions will be reviewed with the HR department and amended as needed.

Responsible Party: Payroll Coordinator; HR Director; Finance Director

Estimated Completion Date: December 2021 with ongoing assessment

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

2. Payroll: Formalized Training, Roles, and Responsibilities (continued)

Management's Response: January 2023	Internal Audit Review
<p>Trainings were completed for current staff per the documentation provided. New employees are being individually trained by senior staff members.</p> <p>Job descriptions are still under review.</p> <p>Updated Estimated Completion Date: July 1, 2023</p>	<p>RSM obtained evidence that each member of the Payroll Services team completed training via training request forms, completion forms, and calendar invites. Request forms contained a listing of job functions available for training, including terminal leave, year-end edits, re-calculations, sick bank, workers compensation, etc. We verified that the Payroll Coordinator signed off on each request form and maintained an Excel sheet to track requested and completed trainings.</p> <p>Through conversation with Management, we noted that job descriptions are currently under review and may be edited to depict responsibilities, compensation levels, and experience requirements more accurately.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.</p>

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

3. Payroll: Review and Approval

Risk Rating: High

Status: Open

Observation Summary

Through our discussions with the Payroll Services Department leadership, we noted that several key tasks were performed manually by either a Payroll Analyst or Payroll Specialist without a secondary review for accuracy. Additionally, we noted that many of these tasks require input from external departments (i.e., deduction adjustments require input from the Benefits Department and W-2 forms require input from Human Resources). There are currently no formal procedures requiring documented review of inputs by the external Department prior to acceptance by Payroll.

Recommendation Summary

We recommend that the District consider assigning a designated reviewer of the inputs made by the Payroll Analyst or Specialist. Reviewers should, at a minimum, have the knowledge and expertise necessary to identify issues, miscalculations, and discrepancies. All updated procedures and expectations should be formally documented, periodically reviewed, and effectively communicated to all relevant process owners (see Observations 1 and 2). Further, we recommend that the Payroll Services Department collaborate with Human Resources and Benefits Departments to identify a process to document the review by each Department of their respective inputs for accuracy prior to flowing into payroll calculations.

Management's Action Plan

Response: Reassessment of the edit procedures run during payroll process will be conducted and updated as necessary. Develop a workflow, in conjunction with the IT department, for processing W2 documents accurately and on time. Develop a checks and balance system (a secondary review process) for reviewing and correcting any data calculation errors.

Responsible Party: Payroll Coordinator; Business Analyst; Sr. Information Systems Analyst; IT Director; Human Resources Director; Risk and Benefits Mgt. Director

Estimated Completion Date: June, 2022

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

3. Payroll: Review and Approval (continued)

Management's Response: January 2023	Internal Audit Review
<p>The software has been implemented and will continue to develop the manual. The manual will detail the required review of various inputs payroll inputs.</p> <p>Updated Estimated Completion Date: June 30, 2023</p>	<p>We obtained the Master Services Agreement with BluFin HR (Prime Benefits) as evidence of the anticipated changes to payroll processing related to benefits.</p> <p>To allow new processes and systems to be internally reviewed and analyzed after implementation, we recommend performance of follow-up testing after:</p> <ol style="list-style-type: none">1. Prime Benefits is fully implemented;2. Review processes for payroll inputs that are not automated through Prime Benefits are implemented and documented; and3. The secondary review process of manual tasks is formally documented. <p>As such, this observation remains in progress.</p>

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

4. Finance: User Access Management

Risk Rating: High

Status: Open

Observation Summary

During our review, we noted several issues regarding management of user access roles within the Oracle application. These issues are outlined below.

Role Capabilities and Clarity: Through discussion with the Finance Department and review of their Oracle assignments, we noted that a clear understanding of the access granted by role does not exist. We noted that both the standard Oracle roles and the custom created roles do not contain detailed descriptions of access or edit rights.

User Access Change Management: Through discussion with Information Technology Services on the process to edit Oracle roles, we noted that while user departments may request user access modifications from the Information Technology Services via email, edit requests are also accepted verbally and without documentation of who the requestor is, the desired role, or who approved it.

Periodic User Access Review: Through discussions with the Information Technology Services Department, we noted that while a periodic user access review was performed for the Cross Pointe application, a similar process for Oracle user access has not yet been implemented.

Recommendation Summary

We recommend the following:

- The district should perform a baseline review of all roles, define the access capabilities within each role and document for reference.
- User access provisioning should be the responsibility of the IT function where possible. This process could be further enhanced by the creation of a separation of duties matrix by department whereby, new access will only be provisioned if the access does not create a conflict or if a mitigating control is identified prior to granting the access.
- Changes made to the access capabilities should follow a defined process that includes proper request, testing, and approvals by each IT and requesting Department prior to the change being made. No changes should be made to roles without first determining if the change will result in a segregation of duties conflict.
- The District should implement a regular user access review.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

4. Finance: User Access Management (continued)

Management's Action Plan

Response: The IT Department will create a formal procedure for 1.) Creating, 2.) Editing, and 3.) Assigning user access roles in the Oracle System to include review and approval of management.

The IT Department will update our customized roles to clearly define the capabilities and access provided.

As the District cannot modify the description of Oracle's canned roles, the IT Department will submit a service request asking the vendor to update their role descriptions.

The IT Department will create a formal procedure regarding the period review of user access to the Oracle system. This process will be maintained and documented.

Responsible Party: Finance Director; ERP System Administrator; IT Director

Estimated Completion Date: March, 2022

Management's Response: January 2023

Creation of Finance roles is in progress and testing of the new roles has begun.

The District has created customized ERP roles within the ERP systems finance component to maintain separation of duties with specific data access that requires the functional manager/director's approval prior to being granted access. The Finance department is currently testing and validating these customized ERP roles in the Test environment. Once the customized ERP roles have been tested and validated by the Finance team, these roles will be assigned to the respective users based on their job titles. Every administrative department and school has a designated security contact responsible for requesting the appropriate system access for their location.

Audit reports are being created for functional managers/directors for semiannual review to approve, change access, and validate the roles within their respective area(s).

Updated Estimated Completion Date: March 2023

Internal Audit Review

Through discussion with Management, we noted that the District requested that Oracle edit the canned role descriptions to be more descriptive of the capabilities each role possesses, but the vendor stated they were unable to edit these roles. Instead, the District's Information Technology Services Department created custom roles for the Finance Department, which include detailed descriptions of capabilities and access rights. RSM obtained a listing of the revised Oracle Finance roles and noted that each role description now includes detailed regarding view, edit, and management rights.

RSM obtained a copy of the existing Account Management Security Contact User Manual, which is dated October 2018, and noted that it does not yet include procedures related to access edits and revisions specific to Oracle. Furthermore, an Oracle User Access Review and use of the Incident IQ IT ticketing system has not yet been implemented.

We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

5. Finance: Segregation of Duties

Risk Rating: High

Status: Closed

Observation Summary

During our review of the disbursements process, we noted that the current vendor management process does not allow for proper segregation of duties. The Finance Department has the capability to make substantial edits to vendor information, including edits to bank accounts, vendor addresses and vendor names. In addition, the Finance Department processes payments to vendors. Thus, these duties are not appropriately segregated. We noted that key vendor management tasks are shared between the Finance and Purchasing & Warehouse Services departments. Vendors may request, among other things, changes to their bank account information, business name, remit-to and order-from addresses, and ACH elections. These requests may be routed to and completed by either Finance or Purchasing & Warehouse Services. When discussing vendor management with each team, we noted that this inter-departmental collaboration is undefined and undocumented, leaving ambiguity over who owns the vendor master file as a whole.

Recommendation Summary

We recommend that the Finance department collaborate with Purchasing to clarify roles and consider formally assigning ownership of vendor data to the Purchasing Department.

Management's Action Plan

Response: Currently all new ACH requests have been suspended until the vendor portal configurations are secured through the below actions identified. Oracle's vendor portal is designed to allow vendors to manage their own account, including address and banking information. The vendor portal was not configured correctly to be able to place it in service. Purchasing is working with Oracle to enhance and configure the vendor portal to allow vendors to manager their own account. Purchasing has started to assume the full responsibility of maintaining the vendor management module which will allow for proper segregation of duties.

Responsible Party: Finance Director; Director of Purchasing & Warehouse Services

Estimated Completion Date: June, 2022

Internal Audit Review

RSM obtained a listing of all Oracle users within the Finance Department and confirmed that roles related to vendor management have been removed. We also obtained the updated vendor management procedures and noted that the Purchasing & Warehouse Services Department is named as the responsible party for vendor-related activities. While the Vendor Portal self-service functionality has not yet been implemented, the segregation of duties issue has been resolved. This observation is now closed.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

6. Finance: Vendor File Management

Risk Rating: High

Status: Open

Observation Summary

During our review of the disbursements process, we noted that the current vendor management process left the District exposed to operational, financial, and reputational risk through the following areas:

Verification of Vendor Identify: The Vendor Change Request form includes an identity verification process through the means of validating bank account information, but we noted that this form is not consistently used, and changes to vendor information may occur without verifying the legitimacy of the requestor. We also noted that the Department does not maintain a list of vendor representatives who are expressly authorized to request changes so the change request can be validated. Once a change is made to a vendor's information, Finance staff only sends confirmation to the requestor if they explicitly requested it. Additionally, an internal review of the change does not occur.

Audit Trail: A change log or edit history of all vendor file alterations is not maintained.

Recommendation Summary

We recommend that staff implement a comprehensive verification process for vendor file changes, in partnership with the Purchasing & Warehouse Services Department, which includes maintaining a list of authorized vendor representatives to make a change and confirming any changes with those authorized representatives through a formal vendor change application form, as well as a secondary review of all vendor file changes. Additionally, we recommend the Finance Department collaborate with Information Technology Services Department to enable an audit trail or log of vendor file changes including type of change made, by whom, and when.

Management's Action Plan

Response: IT will assist the Finance and Procurement teams with role access modification to ensure appropriate segregation of duties related to vendor files. An audit log for changes and edits of the vendor files has been enabled. Oracle's vendor portal is designed to allow vendors to manage their own account, including address and banking information. The vendor portal was not configured correctly to be able to place it in service. Purchasing is working with Oracle to enhance and configure the vendor portal to allow vendors to manage their own account. Purchasing has started to assume the full responsibility of maintaining the vendor management module which will allow for proper segregation of duties.

Responsible Party: Finance Director; ERP System Administrator

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

6. Finance: Vendor File Management (continued)

Management's Response: January 2023	Internal Audit Review
<p>Oracle vendor management access has been removed from the Finance Department. The Purchasing Department has assumed full responsibility for vendor management, allowing for proper segregation of duties. The Audit log function for vendor changes within Oracle has been enabled. Members within the Purchasing department can run the on-demand vendor report containing all vendor file changes.</p> <p>The vendor portal will remain inactive until the accuracy and integrity of the information vendors enter can be verified and secured. Finance, Purchasing, and ITS will continue working with Oracle to confidently bring the vendor portal online.</p> <p>Updated Estimated Completion Date: January 26, 2023</p>	<p>RSM obtained the updated vendor management procedures and noted that the Purchasing & Warehouse Services Department is named as the responsible party for vendor-related activities, including verification of vendor identity when fielding modification requests.</p> <p>Through discussion with Management, RSM noted that the Vendor Portal is not yet active. RSM noted that the audit log of vendor changes has been activated within Oracle in January 2023.</p> <p>We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.</p>

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

7. Finance: Review and Approval

Risk Rating: Low

Status: Open

Observation Summary

During our review and testing of source documents, we noted a lack of review and approval in Finance-related processes. There are several other types of disbursements that do not utilize a purchase order, and whose process is less defined:

- **Batch-loaded invoices:** Because there are no associated POs for these disbursements, the function that signifies invoice approval is not available within Oracle. It is the responsibility of the end user department to review invoices for accuracy prior to sending to the Finance Department. However, documentation of this review does not exist.
- **Direct Pays:** Used when a PO is not available or not feasible. Through our testing, we noted three (3) of the fourteen (14) sampled Direct Pays did not include the required Direct Pay form, one (1) of the eleven (11) Direct Pay Forms reviewed was incomplete and did not include justification as to why a Direct Pay was necessary.
- **Credit Memos:** Of the two (2) credit memos tested, neither contained evidence of managerial approval.
- **Payment Preview Files:** One (1) of the sixty-two (62) sampled payment previews was not initialed, and five (5) payment previews could not be provided. We noted that these five (5) instances related to on-demand payments, and documentation of their review is not currently required by management. After the payment preview has been reviewed, the Finance Specialist prints the relevant batch of checks. Staff will then compare each printed check to the payment preview. However, the preview file does not contain check numbers to verify checks were printed correctly according to the system's numerical assignment and in sequential order.

Recommendation Summary

We recommend the Department build upon existing documents to streamline processes surrounding the disbursements which do not require POs and strengthen disbursement review processes. The Department should consider, at a minimum:

- Implementing a formal, documented review process for batch-loaded invoices
- Requiring a Direct Pay form process for all payments outside of the traditional PO function
- Revisit the process for documenting approving credit memos to ensure they are reviewed by management
- Revisit the process for documenting approval of payment previews and documenting the review of on-demand payments to incorporate a formalized review of every payment run.
- Perform a "check audit" of each batch of printed checks by selecting random samples throughout the check batch for accuracy.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

7. Finance: Review and Approval (continued)

Management's Action Plan

Response:

- The Finance Department currently reviews all batch loaded invoices with the file received from end-user departments. The Finance Department will require evidence of the formal review performed by the end-user departments at the time the batch loaded invoices are sent to Finance.
- Finance and Purchasing are working together to minimize the use of Direct Pays. We have begun requiring all payments outside of the traditional PO process to include a Direct Pay form properly documented and authorized by the requestor.
- The Finance Department confirms validity of credit memos with the appropriate department before processing them. Clarification is requested on the format to document approval of the credit memos.
- The payment preview process is a critical control process that has been on-going. The process is documented and does include on-demand payment runs.
- A "check audit" of each batch of printed checks will be conducted by selecting random samples throughout the batch for accuracy.
- Finance will work with Maintenance to ensure that a tracking place is put in place to identify potential spikes. Maintenance is working with Purchasing and Financial Services to evaluate energy savings alternatives.

Responsible Party: Finance Director; Chief Financial Officer; Chief Operating Officer; Director of Purchasing & Warehouse Services; Maintenance & Operations Director

Estimated Completion Date: December, 2021

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

7. Finance: Review and Approval (continued)

Management's Response: January 2023	Internal Audit Review
<p>Credit memos require managerial approval like invoices. Ready for further testing.</p> <p>Updated Estimated Completion Date: January 26, 2023</p>	<p>RSM performed detailed testing over a sample of twenty (20) various disbursement types, including: batch loaded invoices, direct pays, credit memos, and on-demand payments. We noted no exceptions related to the newly implemented Payment Authorization Form, the Direct Pay forms, or of any of the existing processes related to on-demand payments or payment previews. However, one (1) of the four (4) sampled credit memos did not contain managerial approval, as required. As such, this observation remains in progress.</p> <p>Because the only component of this observation that remains open relates to Credit Memos, and all other follow-up disbursement testing resulted in zero exceptions, the risk rating of this observation has been adjusted from "High" to "Low".</p>

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

8. Finance: Monitoring Procedures		Risk Rating: Moderate	Status: Open
Observation Summary			
<p>While the Finance Department utilizes Oracle reports to identify invoices that have been received by Finance and entered the system, but not yet paid, we noted, however, there is no process to identify delays of invoice approval from user schools or departments. Through our testing, we noted that invoices are paid expediently once delivered to Finance, however, thirteen (13) of the sixty-two (62) sampled invoices had an average delay of 94 days in approval from the user department or school.</p>			
Recommendation Summary			
<p>We recommend the Finance Department consider creating processes to monitor invoice turnaround time. Example processes may include: Creating an Oracle entry for schools and departments to log the receipt date of invoices prior to approval; Requiring school or departments to date stamp invoices upon receipt; Requiring vendors to send a copy of an invoice directly to the Finance department; Running reports periodically through the Oracle system to determine which purchase orders have goods/services received but not paid and following up with the user department or school for invoice status.</p>			
Management's Action Plan			
<p>Response: When invoices are received in the Finance Department, they are paid timely. Without monitoring tools, it is difficult for Finance to know when invoices are received by other departments. It may be the responsibility of the Finance Department to pay invoices in a timely manner, but it is the responsibility of the departments who receive an invoice to process and remit it to Finance in a timely manner. The Finance Department will continue to notify departments about submitting invoices as soon as they are received to ensure payments are made in a timely manner. Ultimately, it is the district's responsibility that the vendors are paid in a timely manner and in accordance with contract/state statute and finance will continue to work with Oracle to identify automated methods for ensuring obligations are met.</p>			
<p>Responsible Party: Finance Director; ERP Systems Administrator</p>			
<p>Estimated Completion Date: June, 2022</p>			
Management's Response: January 2023		Internal Audit Review	
<p>Finance is working with the TS team to develop a query to identify PO's that are receipted by schools and departments but are un-invoiced. We are looking to implement ERP changes in the future to allow centralization of the invoice processing and AP function.</p>		<p>Through discussion with Management, RSM noted that the District is in the process of creating controls to monitor open POs and uninvoiced receipts. We recommend that Purchasing & Warehouse Services, Financial Services, and Information Technology Services collaborate to address remediation of this observation, and to assign responsibility for performance of implemented monitoring procedures. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.</p>	
<p>Updated Estimated Completion Date: June 1, 2023</p>			



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