



Orange County
Public Schools

Internal Audit Report

Warranty Audit

August 17, 2010



To: Jon Chamberlain, Acting Chief Facilities Officer
Karen Petters, Facilities Controls Manager - Construction

From: Linda J. Lindsey, CPA, Senior Director, Internal Audit
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The audit is an independent activity that is used to evaluate the effectiveness and efficiency of a business operation. Our responsibility is to express an opinion on selected processes and procedures. We are required to report material deficiencies in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, Orange County Public Schools policies and procedures and Florida Statutes.



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BACKGROUND

Internal Audit conducted an audit of the Warranty Repairs Process in 2007. This audit is a follow-up to that audit. The recommendation during that audit was that major equipment should be tagged according to recommendations in the 2004 Kitchell Report or the district should establish a process for Operations and Maintenance to readily identify equipment subject to warranty.

OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES:

The objective of the audit was to determine whether procedures were in place and functioning to prevent district resources being used for repairs of building components that are under warranty by a third party.

SCOPE:

The audit scope included projects completed during the calendar years of 2008 and 2009. Nine projects were chosen from the list of completed projects.

METHODOLOGY:

Work order documentation was reviewed for all projects completed during the period and a sample was selected from the data. The work orders were reviewed and traced to SAP for additional information.

Our review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such tests that were considered necessary to meet the audit objective.

<u>FINDINGS</u>	<u>MANAGEMENT RESPONSE</u>
<p>1. Warranty notifications are not linked to the work notification in SAP. It was not possible to determine the disposition of work request items which were determined to be warranted work. The information fields in the SAP system were not completed to show how and when the original work notification was addressed. A total of 62 work notifications from the nine completed projects were selected to be traced into the warranty notification system. The report run by the Senior Business Process Specialist indicated only five that were linked to the original work notification authorization. There should have been 18 possible matches. The system has the capability to provide valuable information to management but will not as long as pertinent information fields remain empty.</p> <p>RECOMMENDATION: We recommend that all relevant fields on the work notification screen be completed by the person/s making entries into SAP for the warranty notification so that a link between work order and warranty notification can be established. It may be possible for one field on the SAP screen to be designated for the WNA number. This will not only allow management to have useful reports but will also provide a trail from WNA's to warranty notifications.</p> <p>RESPONSIBLE STAFF: Operations and Maintenance and Contract Administration staff.</p> <p>2. The open Warranty Notification list as of August 12, 2010, indicates 195 items with 62 of them being open in excess of 90 days. These 62 open items have origination dates from March 4, 2009 to May 13, 2010. Our research indicated that these items may be open because Operations and Maintenance did not sign-off on</p>	<p>The maintenance work orders numbers are to be entered into the warranty notification in the reference field along with the building numbers, cause codes and the complete WBS element numbers. The maintenance work orders will be designated with the identifier 010 for the Maintenance Activity Type (MAT). Warranty notifications being generated from the 11 or 22 month walk thru's will be inputted as a single notification with a list of the individual items attached to the notification in SAP. Additional training will be provided by the O&M training department for anyone inputting warranty notifications, a training script will be developed for anyone needing a refresher. Contract Administration will continue to actively assist Maintenance with information that will help Management to produce useful reports.</p> <p>Each warranty notification will be assigned to an Operations & Maintenance technician as the OCPS responsible party. This technician will be the sole contact for the claim; the technicians name will be entered into the SAP warranty notification. The responsible contractor will coordinate their efforts through the OCPS contact with a goal of resolution within 90 days. Dispute resolution shall be referred to</p>

work it had completed, or the work may not have been completed to the district's satisfaction, or the work may not yet be complete.

RECOMMENDATION: All the open items on the list need to be resolved in a reasonable time period that should be determined by Operations and Maintenance and by Contract Administration. An individual should be assigned responsibility to check the open items, investigate the problem and resolve the issue or status.

RESPONSIBLE STAFF: Operations and Maintenance and Contract Administration staff.

the appropriate Maintenance manager and the Warranty Administrator with Contract Administration. Non responsive contractors will be served a notice of non compliance and be required to provide a written response explaining their position. Contract/Warranty Administrator will insure that all Open WWR's that are Past Due will be investigated. This will allow all Open/Past Due WWR's to be Closed out to Operation & Maintenance satisfaction.

We wish to thank the staffs of the Operations and Maintenance and Contract Administration Departments for their cooperation and assistance in conducting this audit.

Alva Johnson, Auditor