



2014

Orange County Public Schools Facilities Use Agreements Audit

Internal Audit Report

Facilities Use Agreements Audit

October 6, 2014



Table of Contents

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	Page Number
BACKGROUND	1
OBJECTIVES, SCOPE AND METHODOLOGY	1 - 2
FINDINGS AND RECOMMENDATIONS	3 - 7

Facilities Use Agreements Audit

BACKGROUND

The Facilities Use Management (FUM) department is responsible for overseeing access to District school facilities by community groups and governmental agencies. The department facilitates this access with the help of a cloud software program called SchoolDude. Each customer is categorized by user group and charged usage fees according to a fee structure established by the School Board. The School Board approved user group codes, rate schedules and procedures for community use and access to school facilities by resolution on January 11, 2005. On June 26, 2007, the School Board revised user groups, fee schedules and certain procedures. School Board Policy KF provides guiding principles for use of school board facilities by the public.

The FUM department works in conjunction with the administrators of each school site. In their role of oversight, FUM staff track facility use, invoicing and payments. The department's goals include providing consistency to users, while ensuring that district costs are covered by an equitable fee schedule.

For the fiscal year ended June 30, 2014 the district's FUM department recorded more than 23,000 events at school properties resulting in almost \$3.8 million in facilities use fees.

OBJECTIVES, SCOPE AND METHODOLOGY

OBJECTIVES:

The audit objectives included an evaluation of effectiveness, efficiency, internal controls and compliance to assist the department in attaining its goals and achieving compliance with applicable laws and regulations as well as district policies. Management was also consulted about departmental concerns. Consideration was given to circumstances which may prevent the achievement of goals.

SCOPE:

The scope of the audit was designed to ensure that the objectives of the engagement would be met, considering the reliability and validity of information obtained from systems, records and staff. The audit scope included transactions from the 2013 - 2014 fiscal year.

METHODOLOGY:

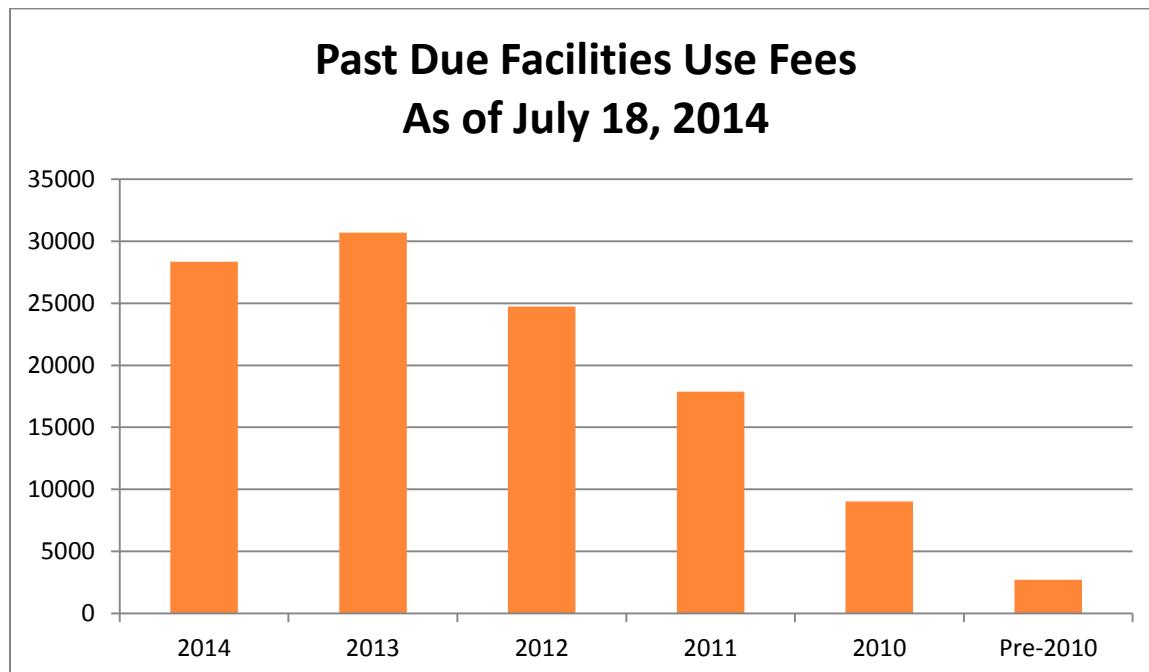
Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and included such procedures as deemed necessary to accomplish audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. We also offer suggestions to improve controls or operational efficiency and effectiveness.

To accomplish this audit we reviewed facilities use agreements, fee payment records, accounts receivable records and other information. We performed a detailed review of 34 individual facilities use agreements executed during the audit period. We also reviewed Payment Card Industry (PCI) Standards, School Board resolutions and policies, and information regarding the software (SchoolDude) used by FUM to administer facilities usage for the district. In addition, we obtained information from other large Florida school districts regarding their facilities usage policies and practices for benchmarking purposes.

FINDINGS AND RECOMMENDATIONS

Collection of Past Due Fees

The standard facility use agreement does not contain a provision for late fees and/or interest in the event that the use or rental fees are not paid in a timely manner. There are also no collection procedures if the fees are not paid at all. As of July 18, 2014 fees in excess of \$113,000 were past due. The chart below shows the amounts past due by the year they were invoiced.



This amount represents 93 different organizations that have not paid amounts invoiced to them for using district facilities. Thirty-two of these organizations owe the district more than \$1,000.

The department should establish a collection procedure in its Facilities Use Guidelines or in Board policies and consider contracting with a vendor to collect past due accounts. We also recommend that a provision be added for groups that use the facility for an extended period of time to pay two weeks or a month in advance to prevent past due accounts.

Adherence to School Board Approved and Departmental Procedures

School Board-approved policies and procedures governing facility use are not being followed consistently. These policies have been adopted by School Board Resolutions and School Board Policy KF.

In some cases the fees charged differ from those approved by the School Board. Fees can be determined by personnel in the schools as well as in the FUM department and inconsistencies in practice were noted. There were 44 instances in our sample where the fees charged were different from Board-approved amounts. There were three documented instances where fees were waived by the school.

The requirement that users pay a security and damage deposit is not being enforced. The *Facilities Use Agreement* states that all payments, insurance documentation and the *Facility Use Agreement* should be remitted 14 days prior to the event. This does not often occur. The *Facilities Use Guidelines* state that full payment is due two business days prior to the event. Frequently payment is received less than two business days prior to the event or even afterward. In the sample of agreements that we tested we noted:

- four exceptions when certificates of insurance did not have the proper dates of coverage,
- 18 agreements with no payment before the event date, and
- 28 instances when one or more of the components of the facilities use agreement – the payment, the insurance certificate or the signed FUA - were not received 14 days prior to the scheduled event.

We recommend that the policies and procedures approved by the School Board be followed or reviewed, re-written and updated. The revised practices, School Board Policy, Guidelines and the Agreement, should be identical.

Clarification of User Groups Priority Rank

The definition of User Group 1 does not clearly define who will be given priority when both an OCPS school group and a community group want to use the same school facility at the same time.

The policy should be reviewed and revised to clarify whether and when OCPS students have priority access to OCPS facilities.

Data Protection

The SchoolDude software application does not have adequate controls to ensure that district data is protected from unauthorized additions, deletions or alternations. There is no audit or activity log to track changes to ensure that data is reliable. Data entered by FUM personnel can be changed by any school administrator who has access. School personnel can change and have changed, invoice charges without FUM department approval including waiving or deleting charges.

Controls should be strengthened for data input. All recorded entries, original and revised, should bear a date and time stamp as well as identity of the person making the entry.

Credit Card Fees

Customers may pay facilities usage fees by credit card. When this occurs the district is charged a fee by the credit card processing company as is typical in the industry. The entire amount of the fees is recorded as an expense in the FUM department's budget even though the fees originate from usage of facilities at various locations around the district. This creates in a mismatch of revenue and expense for the individual work locations, inflating the cost of operating the FUM department and overstating the revenue earned at the schools. These fees totaled \$27,041 during the 2013 – 2014 fiscal year.

We recommend that the fees be charged against the revenue generated by credit card payment for the schools that rent their facilities.

Payment Card Industry Data Security Standard

The FUM department accepts credit card payments for facilities use fees. This is an important and efficient tool to collect these fees and provide good customer service. For the fiscal year that ended June 30, 2014 the department recorded 1,395 credit card transactions resulting in almost \$1.1 million of fees. This represents almost one-third of all facilities usage fees for the year.

The Payment Card Industry Data Security Standard (PCI DSS) is a set of requirements designed to ensure that all companies that process, store or transmit credit card information maintain a secure environment. PCI applies to all organizations or merchants, regardless of size or number of transactions, that accept, transmit or store cardholder data. PCI DSS applies to the FUM department because its customers may

pay facilities usage fees by using a credit card. The FUM department is classified as merchant level 4 for determination of the compliance requirements that must be met.

The district is not compliant with PCI DSS. Although the PCI DSS is not a law, at the service provider's discretion, merchants that do not comply with PCI DSS may be subject to fines, card replacement costs, reputation damage, etc. should a breach occur. The FUM department does not have good controls in place to minimize or mitigate risk of lost or stolen credit card data. Staff members who process credit card payments are not secure behind locked doors. The written credit card information is also not secured. The destruction of written credit card information is not verified by management.

The FUM department should discuss this matter with its service provider and take steps to become compliant with PCI DSS as appropriate. The department should also evaluate and strengthen controls over cardholder data and review its processes to see if there are compensating controls which could reduce or mitigate the risks. The department should consult with ICTS on the IT components of the assessment and use their feedback as part of the management response.

Alternatively, the FUM department could investigate other payment card service arrangements that would not require the district to handle the credit cards in this manner and thus avoid the issue of PCI DSS compliance in its operations.

The Monthly Facilities Use Activity Report

The *Monthly Facilities Use Activity Report* is submitted to cabinet each month. This report highlights new events, approval notes, invoiced amounts and invoice balances.

This departmental report would be more meaningful and helpful to cabinet members if it also cited issues dealing with failure to follow policies and procedures and financial issues, i.e. events which are allowed to occur without evidence of insurance, signed agreements, pre-payments and expired insurance certificates. Outstanding balances, past due amounts and customers/organizations who defaulted on their agreements could also be shown.

We suggest a discussion between FUM and the cabinet regarding the type information and format of the report that would be most useful and make revisions accordingly.

Procedures Manual

The department adheres to fairly consistent practices, but there are no written procedures for the staff.

Best practices are that written policies and procedures should be used to assist staff in the performance of their duties. These practices should be documented in writing to aid in training and staff succession.

We would like to acknowledge the assistance and support that was received from the staff of the Facilities Use Management department during the audit.

Alva Johnson, Internal Auditor



FISCAL PERIOD: 2014 - 2015

AUDIT RESPONSE MATRIX

DEPARTMENT/SCHOOL:

FACILITIES USE MANAGEMENT

ADMINISTRATOR/PRINCIPAL:

RICK PRATT

DEPARTMENT HEAD/AREA SUPERINTENDENT:

JAMES SURGUINE

Exception Noted	Management Response	Responsible Person	Outcome Timeline
What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? What is the evidence of completion?
Collection of Past Due Fees	1. Verify with schools that events did take place. 2. Place groups that owe money in a 'non-use' category until depts are paid. 3. Adhere to policy of prepayment for events.	Rick Pratt & FUM Staff with approval by Jim Surguine and John Morris	These items will be included in a resolution to the Board March, 2015.
Adherence to School Board Approved, and Department Procedures	1. Waving of rental fees will be discontinued. In-kind agreements will be used to justify and adjustment to fees. 2. The existing policy of prepayment 14 days in advance may be impractical. An appropriate time frame will be explored and established. 3. Incorporating the use of Community Use Program	Rick Pratt and FUM Staff with approval from Jim Surguine & John Morris.	Any changes will be included in the resolution to the School Board March, 2015



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What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? What is the evidence of completion?
Clarification of User Groups Priority Rank	User groups will be redefined and approved by the School Board.	Rick Pratt & FUM Staff with approval from Jim Surguine and John Morris.	User group definitions will be included in the resolution to the School Board, March 2015
Data Protection	1. Require any data changes to be noted, initiated by staff initiating the change. 2. Incorporating Community Dude will not allow changes by the user.	Rick Pratt & FUM Staff.	This process will be part of the January 2015 Newsletter to the School Principals, Facility Use Contacts and Area Superintendants.
Credit Card Fees	Credit card fees will remain with the Facility Use Department. Adjustments will be considered to the rate that Facility Use Management receives from rental rates.	Rick Pratt with the approval from Jim Surguine and John Morris.	Rates received by Facility Use Management will be included in the March, 2015 Board Resolution.



FISCAL PERIOD: 2014 - 2015

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FACILITIES USE MANAGEMENT

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What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? What is the evidence of completion?
Payment Card Industry Data Security Standard	Every effort will be made to imput the credit card information while the user is on the phone instead of writing the information down and shredding after the transaction. The Finance department reports that the process used is within the PCI guidelines, but any improvement will be added.	Rick Pratt & FUM Staff.	January, 2015
Monthly Facilities Use Activity Report	Rick Pratt will meet with Area Superintendents emphasising the importance of the report and asking assistance to have them support the need to their school principals.	Rick Pratt & FUM Staff	February, 2015



FISCAL PERIOD: 2014 - 2015

AUDIT RESPONSE MATRIX

DEPARTMENT/SCHOOL:

FACILITIES USE MANAGEMENT

ADMINISTRATOR/PRINCIPAL:

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What is? What should be?	What needs to be done?	Who needs to do it?	When will the action be completed? What is the evidence of completion?
Procedures Manual	The FUM department follows the guidelines written in the Facility Use booklet. This booklet is on line and distributed to school staff and facility user groups. A Procedures Manual will be constructed and updated with the material approved by the School Board.	Rick Pratt & FUM Staff	June, 2015