

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
JANUARY 30, 2007**

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The School Board Audit Committee met on Tuesday, January 30, 2007 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Mr. Jeffrey B. Shapiro, Chair  
Mr. Carlos M. Trueba, Vice Chair  
Ms. Perla Tabares Hantman, Board Member  
Ms. Betty Amos  
Mr. Manuel A. Gonzalez  
Mr. Willie Kemp  
Mr. Robert W. Schomber  
Mr. Robert Stein  
Mr. Nick Tootle  
Mr. Vidal Marino Velis

Non-Voting:

Mr. Allen M. Vann

**Member Absent:**

Ms. Lidia Monzon-Aguirre

**Call to Order**

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Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:37 p.m.

**Introductions**

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The following persons were present:

Dr. Marta Perez, Board Member  
Ms. Evelyn Langlieb Greer, Board Member  
Ms. Ofelia San Pedro, Deputy Superintendent  
Ms. Carolyn Spaht, Chief of Staff  
Mr. Freddie Woodson, Associate Superintendent  
Ms. Magaly Abrahamante, Asst. Superintendent  
Ms. Vera Hirsh, Asst. Superintendent  
Mr. Marcos Moran, Asst. Superintendent  
Ms. Maria Teresa Rojas, Asst. Superintendent  
Ms. JulieAnn Rico, School Board Attorney  
Mr. Luis Garcia, Sr. Assistant Board Attorney  
Ms. Melinda McNichols, Assoc. Attorney  
Ms. Connie Pou, Controller  
Ms. Daisy Naya, Asst. Controller

Mr. Jose Montes de Oca, Asst. Chief Auditor  
Mr. Jerold Blumstein, Adm. Asst. to Dr. Karp  
Ms. Ana Lara, Adm. Asst. to Ms. Hantman  
Ms. Vivian Lissabet, Adm. Asst. to  
Ms. Rivas-Logan  
Ms. Dalia Rosales, Adm. Asst. to Dr. Perez  
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera  
Mr. Richard Tapia, Adm. Asst. to Mr. de la Portilla  
Mr. Jose L. Dotres, Administrative Director  
Ms. Cynthia Gracia, Administrative Director  
Ms. Ellen Wright, Administrative Director  
Ms. Maria T. Gonzalez, District Director  
Mr. Antonio Martinez, District Director  
Mr. Julio Miranda, District Director

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Mr. Trevor Williams, District Director  
Ms. Tiffanie Pauline, Executive Director  
Ms. Maggie Betancourt, Director  
Mr. Manny Castaneda, Director  
Dr. Steve Gallon, III, Director  
Mr. Jon Goodman, Director  
Mr. Nelson Perez, Director  
Ms. Tamara Wain, Director  
Mr. John Schuster, Media Relations Director  
Ms. Mary Lee Snipes, Director  
Ms. Jeanethe D. Thompson, Director  
Ms. Vivian Villaamil, Director  
Ms. Geneva Woodard, Director  
Mr. Robert Kalinsky, Director, Region III  
Ms. Janice Cruse-Sanchez, Director, Region VI  
Ms. Dina Pearlman, Info. Systems Design Officer  
Ms. Edwina Hoffman, Instructional Supervisor  
Ms. Cecilia Lavina, Supervisor  
Mr. Norberto Ferradaz, Audit Supervisor  
Ms. Teresita Rodriguez, Audit Supervisor  
Ms. Nelly Fuentes-Lacayo, Audit Coordinator  
Ms. Bertha Valcarcel, Staff Member,  
    Ms. Hantman's Office  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Alysia Marsh, Administrative Secretary  
Ms. Elsa Berrios-Montijo, Rec. Secretary  
Ms. Mindy Gross, MDSPD/GIU/OIG  
Mr. David Sullivan, Investigator  
Ms. Jane Moscovitz, Chair, Ethics Advisory Com.  
Mr. Michael Patillo, Ernst & Young LLP  
Ms. Claudia Dixon, Ernst & Young LLP  
Ms. Janice Greenspan, Academica  
Ms. Maggie Fresen, Academica  
Ms. Adriana Lima, Academica  
Ms. Kelly Mallon, Academica  
Ms. Ana Martinez, Academica, CFO  
Ms. Amy Nunez, Academica  
Mr. Sam Poole, Berger Singerman for Academica  
Mr. Fernando Zulueta, President, Academica  
Mr. George Kofkoulis, Archimedean Academy  
Mr. Willy Someillan, Achieve Through Education  
Ms. Irene Farinas, Achieve Through Education  
Mr. Harry Kilgore, Aventura City of Excellence  
Mr. Eric Soroka, Aventura City of Excellence  
Mr. Robert Howell, CEO, Bellevia  
Mr. Michael Davis, Balere Language Academy  
Mr. Rocka Malik, Balere Language Academy  
Mr. Peter Deutsch, Ben Gamla Charter  
Mr. Mike Strader, Charter School at Waterstone  
Ms. Lorrie Davidson, Charter Schools USA  
Ms. Keitha D. Burnett, Lawrence Academy Chartr  
Mr. Jose Filpo, Life Skills Center of Miami  
Ms. Amy Rohner, Life Skills Center of Miami  
Dr. Ruth Jacoby, Mater Academy  
Ms. Judith Marty, Principal, Mater Academy  
Mr. Joseph L. Raia, Esq., Mater Academy  
Mr. Antonio L. Roca, Mater Academy  
Ms. Shannine Sadesky, Mater Academy  
Ms. Julie Reza, Miami Community Charter  
Ms. Deborah Corbishley, Kenny Nachwalter  
Mr. Marcos Daniel Jimenez, Esq.  
    Kenny Nachwalter  
Mr. Jorge Plasencia, CEO, Republica  
Mr. Gary Scott, School Financial Services  
Ms. Mary Chambers, SIATECH  
Mr. G. Robb Cooper, SIATECH  
Mr. David Jenkins, SIATECH  
Ms. Marjorie Lopez, SIATECH  
Mr. Richard Trainer, SIATECH  
Mr. Robert Fielder, State Attorney Office  
Ms. Ann Marie Manzano, Sunshine Academy  
Mr. Joe Aniello, UCP of So. FL. Charter School  
Ms. Linda Gluck, UCP of So. FL. Charter School  
Ms. Debbie Terenzio, UCP of So. FL. Charter Sc  
Mr. Pedro De Armas, Verdeja & De Armas  
Mr. Octavio Verdeja, Verdeja & De Armas  
Mr. Octavio F. Verdeja, Verdeja & De Armas  
Mr. Dan Ricker, Watchdog Reporter  
Ms. Susan Kairalla, Director of Volunteer Svs.  
Mr. David Cohen  
Mr. Rolando LLanes

### **1. Approval of the Minutes of the Audit Committee meeting of December 5, 2006**

There was no discussion and a motion was made by Mr. Gonzalez, seconded by Ms. Amos, which carried unanimously, to approve the Minutes of the Audit Committee of December 5, 2006.

A motion was made by Mr. Trueba and seconded by Mr. Schomber which carried unanimously, to move items 4, 5, 6, and 8 up on the agenda to be addressed first and items 3 and 7 to be moved at the end of the agenda.

### **2. Ernst & Young, LLPs Audit Report: The School Board of Miami-Dade County, Florida, Single Audit Report (in accordance with OMB Circular A-133) Year ended June 30, 2006**

Mr. Patillo, Partner E&Y, introduced his report. The unqualified opinion states “the School Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal awards programs for the year ended June 30, 2006.” Mr. Patillo concluded that there were no material weaknesses or reportable conditions involving the financial statements or internal control over financial reporting, in relation to the administration of federal financial assistance programs.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Trueba, which carried unanimously, to recommend that the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2006, be received and filed by the School Board.

### **3. Review of Charter School Financial Statements (18 Non-Academica Managed Schools<sup>1</sup>)**

Mr. Williams, District Audit Director for Operational and Performance Audits, summarized his review of the 18 charter school financial statements and noted that with 8 there were some concerns. After some discussion of those concerns, 4 schools were not transmitted to the School Board and deferred to the next audit committee meeting for further review.

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<sup>1</sup> Archimedean employs Academica but has a fully independent and transparent Board.

The following charter schools' financial statements were forwarded to the Board:

- Archimedean Middle Conservatory
- Aventura City of Excellence School
- Balere language Academy
- Early Beginnings Academy - Civic Center
- Early Beginnings Academy - North Shore
- Transitional Learning Academy
- Keys Gates Charter School
- Lawrence Academy
- Life Skills Center Dade County, Inc.
- Miami Children's Museum Charter School
- Miami Community Charter School
- Renaissance Middle Charter School
- The Charter School at Waterstone
- Youth Co-Op Charter School

The following four Charter Schools were not forwarded to the Board pending the outcome of outstanding issues

1. **Rosa Parks** the response submitted concerning a receivable of \$329,000 from Work America was not satisfactory and there was no representatives present to address the issue.
2. **School for Integrated Academics and Technologies** There were concerns about related party transactions not fully addressed by the Charter School bylaws with the conflict of interest Mr. Williams stated it needs to be explored further.
3. **Sunshine Academy** - *The Internal Audit Department's request for additional information from this school was not received timely and was not satisfactorily. Mr. Williams identified the concerns and Dr. Mesa, Director, responded to the concerns. Mr. Williams suggested that this school needs additional guidance and Ms. Pauline, Charter School Operations concurred and noted that guidance is being provided.*
4. **International Studies** - *A response to concerns about rent was never received..*

A motion was made by Ms. Amos and seconded by Mr. Schomber, which carried unanimously, to transmit all schools but the four that were noted.

## **5. Office of Management and Compliance Audits Activity Report**

Mr. Vann introduced the report and noted that the annual audit plan is progressing favorably.

There was no action required, since this item was presented to the Audit Committee for information purposes only.

## **6. Internal Audit Report – School Audit(s) Regional Center I Elementary and Secondary Schools**

Ms. Gonzalez introduced the two reports and explained that there was a finding relating to payroll fraud at Palm Springs Middle School resulting in the resignation of the school's payroll clerk. The State Attorney's Office prosecuted this individual.

Ms. Gonzalez commended Regional Center I for having only one school with a minor finding.

Ms. Gonzalez responded to several questions from the Audit Committee. There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Schomber, which carried unanimously, to recommend that the Internal Audit Report(s) – for the Regional Center I Elementary and Secondary Schools be received and filed by the School Board.

## **7. Follow-Up Report on the Audit of Adult Mankind Organization Educational Division, Inc.**

Mr. Williams introduced the report and explained that this report is a follow up from a report presented to the audit committee in December 2006, and noted that it is being presented, pursuant to the audit committee's request on concerns surrounding \$260,000 of overpayment of FTE. Upon inquiry from the Audit Committee, Mr. Williams indicated that we received a satisfactory response and explained that a plan to recover the money was being implemented.

A motion was made by Mr. Schomber, seconded by Mr. Trueba, which carried unanimously, to recommend that the Audit of Adult Mankind Organization – Educational Division, Inc. be received and filed by the School Board.

## **8. Investigation Mater Academy Charter School(s) and Academica Corporation**

Mr. Vann introduced this item and explained that this was a resumption of the discussion the Audit Committee had at its November 15 meeting when the item was first introduced. Mr. Vann summarized the various issues and highlighted the open questions the Audit Committee asked be addressed today:

- Mater Academy's purchase option and the propriety of the subsequent lease transaction;
- A full transparent disclosure of cross-ownership of schools (facilities) and Academica Corporation;
- The assertion that Mater Academy received the full benefit of the property tax exemptions claimed by the lessor;
- The reason or justification for engaging the same CPA firm to audit all of Academica Corporation managed schools; and
- The propriety and supporting documentation (including signed and executed note) for the \$175,000 loan to Somerset Academy.

Mr. Vann noted that since the November 15 meeting, he met with Mater Academy and Academica representatives and all of the materials they provided have been forwarded to the Audit Committee.

Mr. Joseph Raia, Esq., representing Mater Academy addressing the Audit Committee expressed his appreciation for the Audit Committee's time reviewing the voluminous material. He explained that Mater is making every effort to preserve its reputation. They have taken heed of the concerns of the Chief Auditor and made substantial revisions and reforms relating to internal governance and procedures which he outlined.

A power point presentation was made by Mr. Marcos Jimenez, Esq., outlining their position and the actions taken.

Mr. Stein asked questions about the lease. Mr. Jimenez explained that the Alliance Commercial real estate provided the lease analyses. Mr. Cohen, Attorney, made a lengthy presentation about the intricacies of the lease. Ms. Greer asked if Mater had the right to own the property before the bond financing. Mr. Cohen responded that the public document reflect an assignment of that right to Mater Academy.

Ms. Greer asked the Audit Committee to provide some guidance particularly on pending applications from these parties for new charter schools. After some more discussion, Mr. Shapiro stated that the role of the audit committee is somewhat circumscribed.

Mr. Trueba commented that the audit findings are valid and noted that there has been a tremendous amount of progress made by Mater and Academica in the governance issue, however, he stated that there must be independence from boards and include in future contracts for it. Mr. Raia explained how the new resolutions for board membership will cover this and that the recommendation concerning internal governance has been met. With regard to the recommendation to reevaluate the lease, the tax exemption issue, the rent issue and the value of the option the Board determined that it acted appropriately.

Mr. Stein expressed concern that the monies that is supposed to go to educate the children is going to this undisclosed party(ies). He stated that this situation has to be changed and it has to be changed at the state level, so that the state is aware that this could happen and it does not recur. Ms. Greer made a request that the Audit Committee make recommendations to sustain, unsustainable, or inconclusive on the allegations, so that the Board may vote accordingly. Ms. Hantman referred to the Chief Auditor's follow up memorandum and Mr. Shapiro took a straw vote on the five bullet issues outlined therein. The following is the Audit Committee's vote on the five bullet items:

Mater Academy's purchase option and the propriety of the subsequent lease transaction;	Sustained
A full transparent disclosure of cross-ownership of schools (facilities) and Academica Corporation;	Sustained
The assertion that Mater Academy received the full benefit of the property tax exemptions claimed by the lessor;	Inconclusive
The reason or justification for engaging the same CPA firm to audit all of Academica Corporation managed schools; and	Sustained
The propriety and supporting documentation (including signed and executed note) for the \$175,000 loan to Somerset Academy.	Sustained

Mr. Verdeja commented that he does not accept the Chief Auditor's report as it relates to his failure to make adequate disclosures in the Certified Financial Statements. Mr. Vann indicated that had the CPA firm acted with greater due diligence regarding these transactions their client would have been better served.

Mr. Jimenez submitted for the record, a formal request that certain allegations on the report that have been damaging and harmful to his client, be withdrawn. Mr. Shapiro gave the documents to Mr. Vann to distribute to the Audit Committee.

There was no further discussion and a motion was made by Ms. Amos and was carried unanimously, to accept the report and recommend that the audit reports of the nine charter schools for the fiscal year ended June 30, 2006 listed above be received and filed by the School Board.

## **9. Update – Inspector General Selection Process**

Mr. Shapiro gave a summary of the selection process and explained that the first go round was not successful. He noted that the firm (Korn/Ferry) selected 5 candidates and recommended them to the Inspector General Selection Committee. Ms. Moscowitz complimented Korn/Ferry for a good job on selecting the candidates and she was impressed with the candidates and noted that out of the 5 candidates 3 outstanding candidates were selected to be forwarded to the School Board. Mr. Shapiro agreed with Ms. Moscowitz that Korn/Ferry did a good job. He stated that these candidates were selected subject to interpretation of the School Board's rule stating minimum requirement and are presented to the audit committee's for its consideration to be forwarded to the School Board.

Dr. Perez expressed her dissatisfaction with the process. Ms. Moscowitz explained that the School Board rule has higher qualification requirements than the state statute for an Inspector General. However, it is sixteen months down the road, and there are three spectacular candidates and the district is lucky that these candidates are willing to come to work in this district. She strongly believes that these candidates should be recommended to the School Board for final decision.

Mr. Shapiro stated that he agrees with Dr. Perez on some points and disagrees on others. He explained that he understood that the School Board rule was the sole basis in determining if a candidate was suitably qualified. He also explained that there is tension between the State Statute and the School Board rule, in which the State Statute gives the School Board broader discretion in the selection of this person because if that person does not have that certain level of degree they can have the credentials. He suggested to recommend these candidates because these candidates are eminently well qualified in generic sense and noted that the School Board will decide if they are appropriately qualified.

Ms. Hantman asked Ms. Rico to clarify the attorney's opinion. Ms. Rico explained that the School Board rule is clear, and the rule states the minimum qualifications for the candidates of the IG. The question presented, was whether or not the selection committee could forward candidates that did or did not meet these qualifications as specified as School Board rule and leave it up to the School Board to act upon the candidates. Mr. Shapiro pointed out that the School Board rule adopts and refers to the state statute. Ms. Rico stated that she understands the distinction between the state agencies and the state statute, the IG School Board rule mirrored the statutory requirements from the state agencies in which allows for the IG himself or designee to possess these particular qualifications. Ms. Moscowitz asked Ms. Rico for clarification on the qualifications of the candidates. Ms. Rico explained that the rule states that the IG person shall possess these characteristics in qualifications. The opinion states that the selection committee can submit recommendations, and the School Board will decide to select, to change the rule, to begin the selection process all over again, or to pick 2 of the candidates that fit the qualifications.

Mr. Schomber asked if any of the candidates meet the requirements. Mr. Shapiro answered that one candidate meets the requirements. Ms. Amos pointed out that the IG school board rule requirements and the job description language does not match. Dr. Perez suggested the Audit Committee to recommend receiving a report back with a clearer definition on the qualifications and to make the School Board rule less stringent like the state statute, so that there is an opportunity for other applicants. Ms. Hantman asked if the state statute supersedes any rule. Ms. Rico said the state statute should be used as a model.

Ms. Amos stated that she was impressed with the candidates and believes that M-DCPS will be well served by any of these candidates. She would like to entertain a motion to recommend the candidates to the School Board for further consideration.

Ms. Greer expressed concern that not all applicants qualify and the audit committee intends to recommend to the School Board. She suggested beginning the IG selection process again, even if it means to extend the process for 6 more months, instead of have this person start with a cloud over their head.

Ms. Amos pointed out that she has had the opportunity to work with Korn/Ferry in the past and has been very pleased with Korn/Ferry work. She noted that if Korn/Ferry has not been successful in finding someone with right criteria maybe the School Board should consider changing the criteria. Mr. Schomber said he does not feel comfortable recommending these candidates. He feels that it should be sent back and cleaned up. He expressed disappointment with Korn/Ferry that they worked in these conditions.

Mr. Shapiro pointed out that the selection committee had asked once before for the School Board to consider changing the School Board rule and it was rejected.

Dr. Perez stated that the audit committee should consider recommending to the School Board to change the School Board rule.

Mr. Trueba expressed concern submitting two names that do not meet the qualifications. He suggested submitting recommendation in form of a query.

A motion was made by Ms. Amos to submit the three names to the School Board, no second, the motion failed.

Mr. Trueba made a motion to ask the School Board will they accept candidates that do not meet the strict requirements. Mr. Shapiro clarified the motion by Mr. Trueba, which states, for clarification from the School Board of what candidate it is willing to consider under the School Board rule and or the Florida Statute. Ms. Rico said that the School Board choices are to pick someone from the three, or change the School Board rule to make it clear, and that the designee of the IG could hold these qualifications. After some more discussion, Mr. Trueba's motion was withdrawn.

Ms. Hantman stated for the record that she is satisfied with the way the IG functions is being handled, and that Mr. Vann's office has done a fabulous job, but Mr. Vann's Office report to the Superintendent and the Inspector General function needs to be independent from the administration.

Ms. Amos made a motion to submit the names of the three finalists, subject to the School Board's own reaction as to whether or not these candidates are qualified. Mr. Schomber seconded the motion and the motion carried.

Ms. Amos thanked Mr. Shapiro and others on the IG selection committee on their hard work.

## **10. Other Business**

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## **Adjournment**

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The meeting was discussed in the following order: 1,2,4,5,6,8,3,7,9.  
The meeting was adjourned at 4:16 p.m.

