

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
DECEMBER 7, 2004**

The School Board Audit Committee met on Tuesday, December 7, 2004 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, Vice-Chair
Ms. Betty Amos
Mr. Agustin J. Barrera, Board Member
Mr. Robert Henderson, Jr.
Mr. Jack Levine
Dr. Hank Mack
Mr. Robert Schomber
Mr. Robert Stein
Mr. Carlos Trueba

Non-Voting:

Dr. Richard H. Hinds
Mr. Allen M. Vann

Members Absent:

Ms. Lidia Monzón-Aguirre
Mr. Michael Moore

Call to Order

Mr. Jeffrey B. Shapiro, Vice-Chair called the meeting to order at 12:38 p.m.

Introductions

Mr. Jeffrey Shapiro greeted everyone and asked them to introduce themselves, and they did. The following persons were present:

Ms. Perla Tabares Hantman, School Board Member	Mr. Carlos Becerra, Adm. Asst. to Mr. Bolaños
Dr. Marta Pérez, School Board Member	Ms. Charlene Burks, Adm. Asst. to Ms. Logan
Dr. Rudolph F. Crew, Superintendent of Schools	Ms. Lubby Navarro, Adm. Asst. to Ms. Hantman
Ms. Ofelia San Pedro, Deputy Superintendent	Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera
Mr. Johnny Brown, School Board Attorney	Mr. Michael Bell, Assistant Superintendent
Ms. Patricia Bass, Deputy School Board Attorney	Mr. Eduardo Alfaro, Treasurer
Mr. Herb Cousins, Jr., Inspector General	Ms. Deborah Karcher, Executive Officer
Ms. Rose Diamond, Chief Facilities Officer	Ms. Connie Pou, Controller
Ms. Carolyn Spaht, Chief of Staff	Ms. Judith Webb, Chief Budget Officer
Mr. Alberto Carvalho, Associate Superintendent	Ms. Iraida Mendez-Cartaya, Admin. Director
Mr. Joseph Gomez, Associate Superintendent	Mr. Carlo Rodriguez, Admin. Director

Ms. Daisy Naya, Assistant Controller
Ms. Joanne Koski, District Director
Mr. John LaBonia, General Manager, WLRN
Ms. Isora Castro, Executive Director
Mr. Nicolas DiLiello, Executive Director
Ms. Judith M. Marte, Executive Director
Mr. Jose M. Martinez, Executive Director
Ms. Olga Botero, Director
Mr. Leo Fernandez, Director
Ms. Michelle Perkins, Director
Ms. Nazira Abdo-Decoster, Supervisor
Mr. Orlando Alonso, Supervisor
Ms. Winifred Jones, Finance Supervisor
Ms. Alice Margolis, Budget Analyst
Mr. Jose F. Montes de Oca, Assistant Chief Auditor
Mr. Julio C. Miranda, District Director

Mr. Trevor Williams, Executive Director
Mr. Ivo Gomez, Director
Mr. Norberto Ferradaz, Audit Supervisor II
Mr. Dario Rosendo, Audit Supervisor II
Ms. Cristina Perez-Ibañez, Recording Secretary
Ms. Elsa Berrios-Montijo, Administrative Secretary
Mr. John Vodenicker, Ernst & Young, LLP
Ms. Cynthia Borders-Byrd, Ernst & Young, LLP
Mr. Shaun Davis, S. Davis and Associates, P.A.
Mr. Richie Tandoc, Sanson, Kline, Jacomino & Co.
Ms. Yvonne Taylor, Sanson, Kline, Jacomino & Co.
Mr. Manuel Garcia, Grau & Company
Ms. China Saugar, Grau & Company
Mr. Richard Moreno, Charter Schools USA
Mr. Dan Ricker, Watchdog Report

Special Order of Business

Mr. Shapiro stated that it was a personal privilege to welcome back Dr. Mack to the Audit Committee. Dr. Mack thanked everyone for all their prayers and thoughts.

1. Approval of the Minutes of the Audit Committee Meeting of October 26, 2004

Mr. Shapiro asked if there were any changes or questions to the minutes of the Audit Committee of October 26, 2004.

There being no further discussion; a motion was made by Dr. Hank Mack, seconded by Mr. Robert Schomber that carried unanimously, to approve the Minutes of the Audit Committee of October 26, 2004, as amended.

2. Election of Audit Committee Chair and Vice-Chair

Mr. Allen Vann read Section II (Membership) and Section III (Terms of Service), of School Board Rule 6Gx13- 2C-1.142 Audit Committee, for everyone to understand the election of the Chair and Vice-Chair.

Mr. Vann stated that he would entertain nominations for Chair and that there was one written nomination from Dr. Mack for Mr. Shapiro as Chair. Mr. Levine also made a nomination for Mr. Shapiro as Chair, which was second by Ms. Amos. Mr. Vann called a vote and Mr. Shapiro was unanimously elected Chair of the School Board Audit Committee.

Mr. Shapiro thanked everyone for the privilege and he stated that he hoped to exceed the dedication and success of the former Audit Committee Chair, Dr. Mack.

Mr. Vann stated that he would entertain nominations for Vice-Chair. Mr. Schomber nominated for Mr. Trueba as Vice-Chair, which was second by Dr. Mack. Mr. Vann called a vote and Mr. Trueba was unanimously elected Vice-Chair of the School Board Audit Committee.

Mr. Trueba thanked everyone for the nomination for Vice-Chair. Mr. Schomber noted that Mr. Trueba has always contributed his expertise with the topics addressed by the Audit Committee, such as having worked closely with Mr. Vann on the issues of charter schools. Mr. Trueba replied that he considers it an honor and a privilege to serve in the Audit Committee, with such esteemed colleagues.

3. Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004

Ms. Connie Pou introduced the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2004. Ms. Pou stated that there are only two major differences between the CAFR and the Annual Financial Report, (AFR) which was presented to the Audit Committee at its October 26, 2004 meeting. The differences only affect the government-wide financial statements; namely, the Statement of Net Assets and the Statement of Activities, and have no impact on Fund Balance. The first item is reflected in the Statement of Net Assets, long-term liabilities were reduced by \$5.9 million. This reduction was a result of reversal accrual due to the adoption of Senate Bill 300. The 2004 legislative session eliminated legal restrictions on the number of unused sick leave days that an administrator may accumulate. That change went into affect on July 1, 2004 and the School Board approved it on August 18, 2004. An accrued liability was recorded in the AFR based on the District's knowledge of the existence of the event and conservatism. The external auditors took a different position and the accrual was eliminated from the CAFR.

Mr. Shapiro asked if anyone had questions. Mr. Levine asked what was the offsetting entry. Ms. Pou responded that it was a reduction of expenditures that could be seen on page 2 of the memorandum. Mr. Schomber asked if the external auditors could explain why they had taken a different position. Mr. Vodenicker responded that the issue was that the change did not legally take effect until July 1, 2004, after the end of the fiscal year. He also indicated that the external auditors had researched with other school districts as well as the Auditor General on the changed legislation and whether to accrue or not. Mr. Vodenicker stated that there was a general consensus among school districts to accrue the liability after July 1, 2004.

Ms. Pou stated that the second item represents a reclassification of impact fee revenues of \$44.1 million from Miscellaneous Revenue to Capital Grants and Contributions Program Revenues. Again, she stated, this entry does not have an impact on revenues. Ms. Pou indicated that according to the Auditor General, the revenue had been placed in the wrong classification, by checking the template provided by the Department of Education (DOE) which had the incorrect object code. The revenue was reclassified and the District has been assured that DOE will revise the template for next year.

Mr. Trueba noted that on page 21 of the report, the net assets have an unrestricted (deficit) of \$199,588,000 and on page 24; governmental funds have an unreserved – undesignated general fund balance of \$62 million, and asked whether these figures can be reconciled. Ms. Pou responded that the \$199,588,000 is in the government-wide statements that take into consideration all of the funds and long-term liabilities. It is different from the fund statements, where under the modified accrual basis and current resources must be considered in order for anyone to determine the financial health of the District; Ms. Pou also noted that the \$62 million in undesignated general fund balance is a healthy contingency. The \$199 million deficit results from the assumption that if on June 30th, the District was to close its doors, it would have to pay all the liabilities, and that would bring the net assets deficit to a \$199 million.

Dr. Mack stated that the CAFR shows a significant increase in the fund balance, and Mr. Shapiro said that historically this is a tremendous improvement. Mr. Trueba acknowledged the increase in the fund and congratulated Ms. Pou and her staff for their presentation of the report. Dr. Mack also commended the staff for their hard work.

There was no further discussion; a motion was made by Dr. Hank Mack, seconded by Mr. Jack Levine that carried unanimously, to recommend that the Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2004, be received and filed by the School Board.

4. Management Letter for the Fiscal Year Ended June 30, 2004

Mr. John Vodenicker noted this year that management prepared the financial statements as provided in the Sarbanes Oxley Act. He also noted that management has set up a management group that will prepare interim financial statements. Mr. Vodenicker said that they received excellent cooperation from management and obtained requested information on a timely basis. Mr. Vodenicker observed that the ratio for the fund balance has increased from under 2.5 to 4.4 percent which is the right direction. The audit results booklet which is required communications to the Audit Committee include a list of completed tasks for 2004 and he referred to page 1 of the report and noted that the single audit is not included because the Auditor General will be doing the report this year. Mr. Vodenicker referred to page 4 of the report, and pointed out that Ernst & Young, LLP is required to provide an opinion on the financial statements was to prepare the opinion, that they were fairly presented. There were no changes in significant accounting policies from the prior year. Mr. Vodenicker referred to page 5 of the report, there and pointed out that there are significant audit adjustments, both recorded and unrecorded; only one of them was recorded because of the high dollar threshold. Mr. Vodenicker then covered all the salient points of the required communication, including the inquiries made of management for fraud and illegal acts, as required by the Statement of Auditing Standard number 99, and noted that Ernst & Young is not aware of any.

Mr. Vodenicker stated that under the independence standard, they have no knowledge of any relationships between them and the school district that would impair independence. Mr. Vodenicker said that they separately performed an agreed procedure engagement on the payroll, through Internal Audits. Mr. Vodenicker referred to page 10 of the report, regarding the reporting responsibilities for the Chief Auditor but no recommendations were given except to share information gathered from the surveys and a personal survey of the larger governments in Florida. The District is in the forefront by moving away from reporting to the Chief Financial Officer (CFO) into the category of reporting to the Chief Executive Officer or the School Board/Audit Committee. A trend in the survey shows the largest school districts were moving away from Chief Executive Officer to Audit Committee. Mr. Vodenicker recommended that Mr. Vann should check the survey in the next two years.

Ms. Cynthia Borders-Byrd provided an overview of the observations and recommendations in the Management Letter and referred to the first recommendation addressed the financial accounting computer systems that were implemented in 1982 and have been upgraded numerous times. Ms. Borders-Byrd stated that the School Board should review the effectiveness of the current financial accounting systems and consider implementing a fully integrated financial accounting computer system but caution that a needs assessment should be completed to address the needs of the users of the financial information. Ms. Borders-Byrd made specific reference to the Cash Management and Disaster Recovery Plan findings and expressed concurrence with management's response.

Ms. Borders-Byrd concluded by referring to the summary of prior year recommendations and noted that of the eleven recommendations in the 2003 Management Letter, eight recommendations that had to do with the technology issues that the District is facing were implemented.

Mr. Trueba referred to the first observation, page 2 of the report, and asked whether the Excel spreadsheet reports reconcile to the general ledger and financial statements. Ms. Borders-Byrd responded the school system's accounting has improved by changing the policies and procedures and confirmed that the reports reconcile to the general ledger. Mr. Schomber referred to page 4 of the report, and asked whether as a result of a change in consultants in the Florida Medicaid Program administration,

the District had lost \$8 million. Ms. Borders-Byrd responded that the District had up to two years to bill the State of Florida and it has been done. Ms. Pou stated that requirements were different and the District has saved a lot of money by the change in the consortium.

There was no further discussion; a motion was made by Mr. Robert Schomber, seconded by Mr. Carlos Trueba that carried unanimously, to recommend that the Management Letter for Fiscal Year Ended June 30, 2004, be received and filed by the School Board.

5. Annual Financial Statement, Educational Impact Fee Fund for Fiscal Year Ended June 30, 2004

Mr. Manuel Garcia from Grau and Company, P.A. presented the Annual Financial Statement, Educational Impact Fee Fund for Fiscal Year Ended June 30, 2004 and stated that there were no major findings in the report.

Mr. Schomber stated that Mr. Garcia was a former Audit Committee Member a number of years ago. Mr. Garcia said that it had been a pleasure to be part of the Audit Committee.

Mr. Levine inquired on the \$15 million increase in the impact fees. Ms. Saugar replied that there was an increase in construction, more than anticipated therefore, the current amounts were revised. Mr. Levine stated the fund balance increased to the same amount so the funds were not used. Ms. San Pedro responded that even though it shows a fund balance, these balances are programmed in budgets. Ms. San Pedro stated that the observation is correct, the amount in increased revenues received from developers was not spent therefore the fund balance grew but the current fund balance is programmed to a series of projects. Mr. Levine asked if the external auditors were aware of this and why wasn't this footnoted in the report. Ms. San Pedro referred to page 5 of the report, expenditures; there is no footnote or explanation that the funds are programmed for projects.

Mr. Schomber referred to page 10 of the report, and asked if there is a slow-pay problem from the County. Mr. Garcia responded that they are paying within sixty days. Dr. Mack referred to page 10 of the report, paragraph 5A, the amount of \$7,098,788 that is correct with the number on page 3 but the other number is inconsistent with page 10. Mr. Garcia said that there was a mistake with that page but it will be corrected. Dr. Mack stated that the correct numbers are in page 3 and 13. Dr. Mack also referred to page 4, the ending fund balance is \$145,143,780, and page 14 shows a difference of \$2 dollars for 2004 and for 2003 under investment income, there is also a \$1 difference. Dr. Mack stated that under Operating transfer out – Debt Service Fund, there is also a difference of one dollar.

There was no further discussion; a motion was made by Mr. Jack Levine, seconded by Dr. Hank Mack that carried unanimously, to table the Annual Financial Statement, Educational Impact Fee Fund for Fiscal Year Ended June 30, 2004 until corrections are made and brought at the Audit Committee meeting of January 25, 2005.

6. Audit of the Television and Radio Station for Fiscal Year Ended June 30, 2004

Mr. Richie Tandoc, Sanson, Kline, Jacomino and Company, LLP presented the Audit of the Television and Radio Stations for Fiscal Year Ended June 30, 2004. Mr. Tandoc thanked the management of WLRN and the Office of Management and Compliance Audits for their cooperation and assistance in completing the audit. Mr. Tandoc indicated that fieldwork was completed on November 12, 2004, and an unqualified opinion was issued on WLRN's basic financial statements for the year ended June 30, 2004 for both television and radio. He also issued a report on internal control over financial reporting, compliance and other matters required to be reported under Government Auditing Standards. Mr.

Tandoc also stated that a Management Letter was issued and that there was no reportable condition; however, WLRN must prepare trial balances prior to the start of the audit.

Mr. Levine asked if the CPA firm prepared the trial balances and if it impaired their auditor's independence. Mr. Tandoc replied that it did not impair his independence because the compilation only involved rearranging numbers that were already provided, but management should be doing it in the future. Mr. Vann stated that this point is covered in their management letter and management responded. Mr. Schomber asked the Chief Auditor if the trial balances are prepared by him. Mr. Vann responded that WLRN will work together with the Office of Management and Compliance Audits in the future to prepare the trial balance and schedules. Mr. Vann clarified that this is the first time this audit was outsourced and the internal auditors had played a greater role.

Mr. Trueba asked who the representatives from WLRN are. Mr. Vann introduced Mr. John LaBonia, General Manager and Ms. Winifred Jones, Budget Analyst. Mr. Trueba asked if there are books for WLRN and how are the figures derived. Ms. Jones stated that they are part of the school system. Mr. Trueba asked if there was a general ledger for WLRN. Ms. Jones replied that the figures are from the school system's general ledger. Mr. Trueba asked if WLRN is capable of preparing the trial balances and schedules. Ms. Jones replied that they receive assistance from the budget office and the Office of Management and Compliance Audits.

Mr. Schomber asked why there is a need for an independent audit if WLRN's books are part of the school system. Mr. Montes de Oca also responded that because WLRN Television and Radio receive over \$1 million in grants the Federal government requires an independent audit.

Mr. Vann stated that it was a tremendous undertaking by the firm and they deserve to be commended for a hard job well done.

There was no further discussion; a motion was made by Dr. Hank Mack, seconded by Ms. Betty Amos that carried unanimously, to recommend that the Audit of the Television and Radio Station for Fiscal Year Ended June 30, 2004, be received and filed by the School Board.

7. Audit of the Magnet Education Choice Association, Inc. (MECA) for Fiscal Year Ended June 30, 2004
8. Audit of Dade Schools Athletic Foundation, Inc. for Fiscal Year Ended June 30, 2004
9. Audit of Miami-Dade Coalition for Community Education, Inc. for Fiscal Year Ended June 30, 2004

Mr. Richie Tandoc, Sanson, Kline, Jacomino and Company, LLP presented the audit for three direct support organizations: Magnet Education Choice Association, Inc., Dade Schools Athletic Foundation, Inc., and the Miami-Dade Coalition for Community Education, Inc.

Mr. Tandoc thanked management of each of the direct support organizations and the Office of Management and Compliance Audits for their cooperation and assistance in completing the audits. Mr. Tandoc stated that the fieldwork was completed in October and November and an unqualified opinion was issued on financial statements for the year ended June 30, 2004 was issued for each organization.

Mr. Tandoc also issued a report on internal control over financial reporting, compliance and other matters required to be reported under Government Auditing Standards. There were no management letter comments, with the exception of Magnet Educational Choice Association, which had a recommendation to update their general ledger on a more frequent basis.

Dr. Mack had several specific questions which Mr. Tandoc addressed. Dr. Mack stated that historically these audits were done by the internal auditors but it consumed the resources that could be used to perform other audits requested by the School Board and the Audit Committee. Mr. Vann stated that the

fees for outsourcing were at a minimal expense and there is a budget set aside for this. Mr. Vann indicated that he plans to outsource these audits next year and bring a Request for Proposal (RFP) to the Audit Committee.

There was no further discussion; a motion was made by Ms. Betty Amos, seconded by Mr. Jack Levine that carried unanimously, to recommend that the Audit of the Magnet Education Choice Association, Inc. (MECA) for Fiscal Year Ended June 30, 2004; Audit of Dade Schools Athletic Foundation, Inc. for Fiscal Year Ended June 30, 2004; Audit of Miami-Dade Coalition for Community Education, Inc. for Fiscal Year Ended June 30, 2004, be received and filed by the School Board.

10. Office of Management and Compliance Audits' Activity Report

Mr. Allen Vann stated that the front end of the report discusses audits that are completed and draft reports that are in process of completion. Mr. Vann referred to page 3, other activities, and noted that in an effort to be proactive, the Assistant Chief Auditor, along with Ms. Maria Gonzalez, Executive Director, Division of School Internal Audits, had conducted in a training workshop for Assistant Principals in the handling of internal funds and preventing future findings. Mr. Vann said that he applauded the effort. Also, a training program is being established for the internal auditors, involving internal and outside training. He also said that as a member of the National Association of Local Government Auditors, he had been asked to perform a peer review of the City Auditor in Tampa. Mr. Levine asked who performs the peer review for the Office of Management and Compliance Audits. Mr. Vann replied that he is going to look into that and return with recommendations to the Audit Committee. Mr. Levine asked who requests this peer review. Mr. Vann responded that the GAO yellow book requires it, that any governmental organization that performs auditing has it done every three years. Also, the Institute of Internal Auditors requires it. The last peer review was performed by Grau and Company in 2002.

Mr. Vann stated that as a follow-up to the last meeting, there was a discussion of auditing schools that have new principals and this is outlined in the activity report. Mr. Vann indicated that the audits of these schools are now scheduled immediately and performed as soon as possible. Mr. Schomber asked if this process is included in the Procedures Manual. Mr. Vann replied that he would add it to the manual. Dr. Mack asked if the resources were available to audit these schools when needed. Mr. Vann stated that it depends how the audits are prioritized and the number of new principals.

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

11. Auditor General Report No. 2005-054, Report on Significant Findings and Financial Trends Disclosed in Charter School and Charter Technical Career Center Audit Reports Prepared by Independent Certified Public Accountants for the Fiscal Year Ended June 30, 2003

Mr. Allen Vann stated that this is an informational report that compiles the findings by independent CPAs of all the audit reports received by the Auditor General from the various charter schools. Mr. Vann said that the report was self-explanatory and useful to compare the different charter schools located throughout the State of Florida.

Mr. Trueba indicated that there were some good recommendations in the report, but the legislative recommendation was the most significant and it should be taken to the state legislators to promote changes to address the financial conditions of some charter schools. Mr. Trueba stated that the financial condition of the charter schools has been extensively discussed in prior audit committee meetings, but this report should be submitted to the School Board with a recommendation to include the legislature recommendation in their legislative agenda. Dr. Mack agreed with Mr. Trueba and suggested that the

School Board continue to monitor the charter school rules that are now in effect, and recommend changes the legislation so the that the district can exercise more control.

Ms. Pou said that specific language has already been included in the charter schools' contract that addresses some of the recommendations in the Auditor General's report. Mr. Schomber also suggested that these recommendations be given to the School Board and to the district's advocates, who put forth the legislative recommendations. Mr. Carvalho stated that the School Board has already adopted the statement of legislative programs at its November meeting, but it can be amended. All that is needed is a recommendation. Mr. Carvalho offered to work with Mr. Michael Bell and Mr. Carlo Rodriguez to provide recommendations that can be incorporated modifying the platform, and subsequently presented for approval by the School Board, as a priority.

Mr. Trueba reiterated that the Auditor General's report with the accompanying letter from the Department of Education be submitted to the School Board with a special recommendation that it included into their legislative agenda.

There was no further discussion; a motion was made by Mr. Carlos Trueba, seconded by Dr. Hank Mack that carried unanimously, to recommend that the Auditor General Report No. 2005-054, Report on Significant Findings and Financial Trends Disclosed in Charter School and Charter School Technical Career Center Audit Reports Prepared by Independent Certified Public Accountants for the Fiscal Year Ended June 30, 2003, with the accompanying letter from the Department of Education be received and filed by the School Board.

12. Follow-Up Items Requested for: Internal Audit Report – Opportunities To Streamline Procurement Processes

Mr. Vann stated that this was a follow-up item; this internal audit report was presented at the prior Audit Committee that requested a flowchart explaining the process of purchases under and over \$750 and controls over the credit card program is provided. Mr. Gomez referred to the memorandum and flowchart; it reflects the processing of requisitions according to dollar threshold for purchases made by Procurement Management. Mr. Gomez also explained that another flowchart was prepared by the Office of the Controller delineating the process for credit card purchases. Mr. Levine referred to the flowchart as a paper flow but it doesn't indicate a person responsible, and he asked who is in charge. Mr. Gomez responded that Procurement Management is responsible. Mr. Levine asked if there is a separation of duties. Mr. Gomez reaffirmed that there is no separation of duties.

Dr. Mack referred to page 1 of the report, and asked what is the requirement to expand the Procurement Credit Card program. Mr. Vann responded that on page 7 of the report, there is a complete management response to that issue. Dr. Mack asked if a recommendation is needed from the Audit Committee. Ms. Pou stated that as she had mentioned in the prior Audit Committee, she would like to increase the threshold of credit card purchases to \$1,500 but first the proper controls need to be in place so the recommendation for now is \$1,000 and later increase it to \$1,500. Mr. Stein asked how long is it going to take to make sure these controls are in place. Ms. Pou replied that they are in the process of obtaining the software package needed that permits reconciliation of items that are being purchased to capitalize all of those items.

Mr. Barrera asked what the difference was between a purchase order of \$1,500 and a credit card purchase of \$1,500 and what controls are needed? Ms. Pou stated that she would like for the limit to be \$1,000 until the software is implemented so that we can see what type of items are purchased and this would allow for better control is in place to capture of, all the capitalized orders. Mr. Shapiro asked if there is more confidence with a purchase order process because of the documentation that is in place as compared to the credit card system where new controls are needed.

Ms. Pou introduced Mr. Fernandez, who is responsible for the procurement credit card. Mr. Fernandez stated that with a purchase order system automated controls check the available funding before spending and the credit card does not have this capability. Mr. Fernandez indicated that is where the software comes in and checks the balances up front before the purchase. Mr. Stein asked if it is a question of risk or capitalizing items that cost \$1,000 or more. Mr. Fernandez stated that capitalizing is one of the issues and the other is employees' spending money when the funding is not available. Mr. Trueba asked what is the target date for these controls. Mr. Fernandez responded that by the end of this school year, and the threshold to be raised by July 2005. Mr. Barrera stated that the best way of putting limits on credit cards is the credit card company itself. Mr. Fernandez said that is currently in place, but money is still spent when they don't have it.

Dr. Mack referred to page 9 of the report, regarding School Board approval for Request for Proposal (RFP), and asked if a recommendation is needed from the Audit Committee. Mr. Gomez replied that this is a current Board Rule so it would need to follow the School Board rule procedures and yes, a recommendation is needed. Dr. Mack stated that he recommends the recommendations and it should be submitted to the School Board.

Mr. Schomber referred to page 11 of the report, and asked what are the rules for extensions. Mr. Gomez responded that an extension of 90 days prior to the expiration of the contract and anything over \$25,000 needs to go to the School Board. Mr. Gomez also said that they check the Consumer Price Index (CPI) for the market conditions before making a recommendation. Mr. Schomber stated that there were fewer extensions and how many times can this be done. Mr. Gomez responded that it depends on the contract. Mr. Schomber stated that the recommendation is to add a benchmark step anytime you renew. Dr. Mack stated that the shopping cart is a great idea. Ms. Karcher stated that a web page with all the bid items for all the schools and technology purchases and a second phase with an electronic shopping cart for the bid items on the web like Amazon.com will be developed to allow picking from there. Ms. Karcher indicated that the idea is to put the schools on board.

There was no further discussion; a motion was made by Mr. Robert Schomber, seconded by Ms. Betty Amos that carried unanimously, to recommend that the Internal Audit Report – Opportunities to Streamline Procurement Processes, be received and filed by the School Board.

Follow-Up Items Requested for: Internal Audit Report – Improvements Needed in the Award & Administration of Architectural & Engineering Contracts

Ms. Rose Diamond stated that they did their best in trying to find the missing A/E negotiation files but they were not recovered. Ms. Diamond indicated that A/E Selection went to the Inspector General's office in an effort to locate the missing files but they were not there. Ms. Diamond said that in reviewing the Inspector General's inventory list of missing selection files, three of them are related to "reuse" of plans for Primary Learning Centers (PLCs) which does not require a professional selection process, has reducing the five missing selection files cited in the audit report down to two. Also, Ms. Diamond requested the School Board Attorney's office assistance in this matter. The School Board Attorney's office found that the A/E Selection files were not subpoenaed; it was at the request of the prior Superintendent that the School Board Attorney's office collected all the files and the Administrative Assistant to the previous Superintendent handed the files over to Metro-Dade Corruption Division with a promise to return the originals in ten days. Ms. Diamond indicated that the Chief Auditor also contacted the Metro-Dade Corruption Division, Mr. Valentin Alvarez, and Mr. Merrett Stierheim. Mr. Vann was told by the Metro-Dade Corruption Division that all the files were previously returned to the Inspector General's office.

Ms. Hantman asked if all the boxes disappeared and no one knows where they are, the State Attorney's office doesn't have them and no one is responsible for the files. Ms. Diamond replied that the files were taken and no record was kept. Ms. Hantman asked who took the files. Ms. Diamond stated that it was the Metro-Dade Corruption Division. Mr. Brown stated the School Board Attorney's office never collected any of these files and by request of the prior Superintendent these files were given to the Metro-Dade Corruption Division. Mr. Vann indicated that no one is pointing a finger at the Corruption office. Maybe the files are missing because staff lost these files or they did not exist. Ms. Hantman stated that the District is solely responsible for the missing files and records were not kept properly and received the files. Mr. Herb Cousins stated that twenty-two boxes were received by his office and an inventory was done. Mr. Trueba stated that the internal audit report was presented at the prior Audit Committee and the internal auditors have performed their job.

Mr. Henderson asked what will be done to prevent similar situations in the future. Mr. Shapiro referred to page 2 of the memorandum; there should be something concrete to prevent this situation. Ms. Diamond indicated that procedures are in place that restrict removal of any files by anyone. Ms. Diamond said that only copies of documents requested will be issued with a letter of transmittal, a list of items transmitted and signature of the person receiving the documents.

There was no further discussion; a motion was made by Dr. Hank Mack, seconded by Mr. Carlos Trueba that carried unanimously, to recommend that the Internal Audit Report – Improvements Needed in the Award & Administration of Architectural & Engineering Contracts, be received and filed by the School Board.

13. Internal Audit Report – Audit of Inventories as of June 30, 2004

Mr. Julio Miranda presented the Internal Audit Report – Audit of Inventories as of June 30, 2004 for the following departments: Textbook Inventory Services, Food and Nutrition, Stores and Mail Distribution, Maintenance Materials Management and Transportation and there were no findings. Mr. Schomber stated that this audit was remarkably clean.

There was no further discussion; a motion was made by Dr. Hank Mack, seconded by Mr. Jack Levine that carried unanimously, to recommend that the Internal Audit Report – Audit of Inventories as of June 30, 2004, be received and filed by the School Board.

14. External Audits of Charter Schools External Audits of Community-Based Organization

Mr. Norberto Ferradaz presented the external audits of the five remaining charter schools that were pending from the prior Audit Committee and one community-based organization.

There was no further discussion; a motion was made by Ms. Betty Amos, seconded by Dr. Hank Mack that carried unanimously, to recommend that the External Audits of Charter Schools and Community-Based Organization, be received and filed by the School Board.

Meeting was adjourned at 2:34 p.m.

The agenda items were discussed in the following order: 1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 4, 13, and 14.

The intent of this section of the Minutes is to track those additional requests or changes made as a result of the Audit Committee meetings, so that there is an accounting and final disposition on all open items/issues.

Request Made	Audit Committee Meeting Date Requested	Due Date (Future AC Meeting)	Responsibility
Periodic Update on Construction Accounting and Tracking System – Quarterly Reports	January 27, 2004	Future AC Meeting	Facilities Planning and Construction/Information Technology Services
Modify Language in Future Audit Contracts with External Auditors	June 29, 2004	Future AC Meeting	School Board Attorney/ Chief Auditor
Update of Maintenance Service Contracts	June 29, 2004	Future AC Meeting	Facilities Planning and Construction
Update on the Review of Legal Fees to Outside Counsel	June 29, 2004	Future AC Meeting	School Board Attorney/ Chief Auditor

