

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
JUNE 28, 2005**

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The School Board Audit Committee met on Tuesday, June 28, 2005 at 12:30 p.m. in the School Board Administration Building, Room 559, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Mr. Jeffrey B. Shapiro, Chair  
Mr. Agustin J. Barrera, Board Member  
Ms. Betty Amos  
Mr. Robert Henderson, Jr.  
Mr. Jack Levine  
Dr. Hank Mack  
Mr. Michael G. Moore  
Mr. Robert W. Schomber  
Mr. Robert Stein

Non-Voting:

Mr. Martin Berkowitz  
Mr. Allen M. Vann

**Members Absent:**

Mr. Carlos M. Trueba, Vice Chair  
Ms. Lidia Monzon-Aguirre

**Call to Order**

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Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:26 p.m.

**Introductions**

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

Ms. Perla Tabares Hantman, Board Member  
Dr. Marta Perez, Board Member  
Ms. Ana Rivas-Logan, Board Member  
Ms. Ofelia San Pedro, Deputy Superintendent  
Mr. Alberto Carvalho, Associate Superintendent  
Mr. Johnny Brown, School Board Attorney  
Mr. Luis Garcia, Sr. Assistant Board Attorney  
Mr. Carlos Becerra, Adm. Asst. to Mr. Bolaños  
Ms. Jannette Reyes, Adm. Asst. to  
    Ms. Rivas-Logan  
Mr. Jerold Blumstein, Adm. Asst. to Dr. Karp

Ms. Kamela Patton, Assistant Superintendent  
Ms. Blanca M. Valle, Assistant Superintendent  
Mrs. Janet S. Hupp, Region Supt., Region V  
Dr. Essie S. Pace, Region Supt., Region IV  
Mr. George Nuñez, Region Supt., Region III  
Ms. Rose Diamond, Chief Facilities Officer  
Ms. Connie Pou, Controller  
Mr. Jose Montes de Oca, Asst. Chief Auditor  
Dr. Elizabeth Alves, Administrative Director  
Ms. Cynthia Gracia, Administrative Director  
Ms. Maria T. Gonzalez, District Director

Ms. Lubby Navarro, Adm. Asst. to Ms. Hantman  
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera  
Mr. Julio Miranda, District Director  
Mr. Trevor Williams, District Director  
Ms. Lisa Thurber, Executive Director  
Ms. Cynthia M. Clarke, Director, Region I  
Mr. Robert Kalinsky, Director, Region III  
Ms. Carmen B. Marinelli, Director, Region II  
Mr. Norberto Ferradaz, Audit Supervisor  
Ms. Daiva Fernandez, Media Relations Specialist  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsa Berrios-Montijo, Rec. Secretary  
Ms. Alysia Carr, Administrative Secretary

Mr. Leo Fernandez, District Director  
Ms. Bertha Valcarcel, Part-time  
Mr. Kevin Adderley, Sharpton, Brunson Co.  
Mr. John Vodenicker, Ernst & Young  
Ms. Claudia Dixon, Ernst & Young  
Ms. Patrice Jones, Ernst & Young  
Ms. Erica Simmons, S. Davis & Assoc.  
Mr. Frederick F. Thornburg, EAC Chair  
Mr. Dan Ricker, Watchdog Reporter  
Mr. Matthew Pinzur, Herald Reporter  
Ms. Susan Kairalla, Volunteer

### **1. Approval of the Minutes of the Audit Committee meeting of May 3, 2005**

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There being no discussion, a motion was made by \_\_\_\_\_, seconded by \_\_\_\_\_, which carried unanimously, to approve the Minutes of the Audit Committee of May 3, 2005.

### **2. Election of Chair and Vice Chair**

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Mr. Vann provided a brief summary regarding the procedures for the election of Chair and Vice Chair for the audit committee. Mr. Vann read from the board rule that the election of Chair and Vice Chair shall be elected annually for no more than two consecutive years for either office from its ten community members. Ms. Amos nominated Mr. Shapiro for Chair and Mr. Trueba for Vice Chair. Mr. Schomber seconded. A unanimous vote was casted for the re-election of Mr. Shapiro as Chair and Mr. Trueba as Vice-Chair.

### **3. Evaluation of External Auditors for the Audit of the Fiscal Year Ended June 30, 2005**

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Mr. Montes de Oca stated that the evaluations for Ernst & Young were overwhelmingly positive for the 2004-2005 fiscal year work and that the team is already on board this year doing interim work and will also be conducting a single audit. Members of the Audit Committee congratulated Mr. Vodenicker and his team for a job well done.

#### **4. Audit Plan for Annual Financial Statements for Fiscal Year '06**

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Mr. John Vodenicker introduced two members of the team, Ms. Claudia Dixon, Manager and Ms. Patrice Jones, the Senior on the audit for this fiscal year. Mr. Vodenicker stated that they will be performing the federal audit instead of the Auditor General's office. The audit should be completed by mid-November and presented in December 6 meeting. Under recent business developments, Mr. Vodenicker stated that the district will be receiving FEMA money under a Federal program, which comes under single audit coverage. Ms. San Pedro explained that the district seeks reimbursement, not for damages from hurricanes but when the Superintendent declares an emergency and the school district board incurs expenses.

#### **5. Audit Plan for WLRN Television and Radio Stations, Miami-Dade Coalition for Community Education, Inc., Magnet Education Choice Association, Inc., and Dade Schools Athletic Foundation, Inc. for Fiscal Year '06**

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Mr. Kevin Adderley introduced himself to the audit committee stating that he will be returning in September to perform the audits. Mr. Vann stated that he and staff members from Management and Compliance Audits met on a preliminary basis with Mr. Adderley and the presentation of the audit plan was prematurely put on the agenda.

#### **6. Tentative Audit Committee Dates for the Fiscal Year '06**

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Tentative dates for the 2005-06 fiscal year were approved as they were in-line with the seven meetings of this year.

#### **7. External Audits of Community-Based Organizations**

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Mr. Norberto Ferradaz presented the audits from three organizations. He mentioned that there are two organizations JESCA and Alternative Program that have still not submitted an audit this year, but are in progress, according to the administrator of these entities.

Ms. Amos questioned the propriety of using public school funds as outlined in footnote 7 of the financial statement of the Adult Mankind Organization. The note states that the Board of Directors

approved a retirement benefit package, including medical and life insurance for the former director of the organization.

Mr. Ferradaz stated that this organization's revenues are derived exclusively from the School Board. Ms. Amos and Mr. Schomber requested a follow up on this.

Mr. Vann recommended not to transmit the report until the next audit committee meeting (in September) in order to investigate the matter. Mr. Barrera stated that he believes there is negligence on part of their Board. Mr. Barrera also stated he would like this issue discussed at the School Board level so that action can be taken immediately to rectify it. Mr. Vann stated that with regards to Adult Mankind, the Office of Management & Compliance Audits will, as requested, follow up on their pension practices and corporate resolution and check with the Board Attorney's office on the legality and allowance of the payments under our contract and report back to the Committee.

Ms. Rivas-Logan stated that what is being audited are dollars but not attendance/services provided. Mr. Vann mentioned that in the audit plan for next year he proposes to audit charter school operations and community based organizations from a programmatic point of view.

Mr. Shomber inquired whether the person in charge of the alternative education program in the recent reorganization of the District's staff was in fact the principal who had mismanaged the business practices at one of the schools previously reported to the Committee in one of the school audit reports. Mr. Carvalho stated that the individual that was the principal at Miami Northwestern Senior is now the Administrative Director for Alternative Programs. However, these programs are managed by another entity. The individual in question supervises only alternative education programs operated and staffed by the District. Mr. Levine expressed his concern about management not listening to Audit Committee's recommendation. Dr. Mack commented that this is a common practice. Mr. Carvalho mentioned that it was a recommendation from the Superintendent as part of the reorganization process and that he takes responsibility for the management decision, which he is statutorily permitted to make. Ms. Rivas-Logan stated that in training for board members she was told that the Board hires or fires the Superintendent but the only way they cannot approve the Superintendent's recommendation for an appointment is when 1) the individual does not meet qualifications, or 2) the individual is incompetent. Dr. Perez stated that she was against the

reorganization and Board members have a right to vote against it, which she did. Mr. Barrera mentioned that the Board can also disapprove reorganizations based on fiscal issues. Ms. Rivas-Logan recommended looking into the personnel evaluation tool and put one in place that works. Mr. Vann mentioned that there is a plan to re-engineer the whole job evaluation process. Mr. Carvalho stated that the Superintendent and senior staff have been working on a new instrument that links job targets and this represents a significant effort.

Ms. Amos indicated that it was not clear to her from the financial statements of Cuban American National Council where the School District funding went. Also, for the Ombudsman Educational Services, Ltd., audit, she questioned the spending of \$130,000 for entertainment and meals. Mr. Vann agreed to follow up on these questions, as well.

This item was moved by Dr. Mack and seconded by Ms. Amos. The Audit Committee voted to transmit the three reports subject to a follow-up review and report from the Chief Auditor on the outstanding issues.

## **8. Office of Management and Compliance Audits' Activity Report**

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Mr. Vann noted that the Board's approved reorganization impacted the Office of Management and Compliance Audits in the following manner: Mr. Trevor Williams and Ms. Maria Gonzalez, Executive Directors were promoted to District Directors. In addition, a new position of Director I, School Audits was established. The new position will enable the auditors to expand audit coverage at the schools to perform Title I and other federal grant audits that was never audited internally, before. Mr. Vann thanked the Superintendent, the Chief of Staff, and Mr. Carvalho for their continuing support and encouragement.

He also noted that the Audit of the Federal E-rate Program that was presented at the May 3<sup>rd</sup> Audit Committee meeting was well received by the FCC. Using the results of the audit report, the Deputy Superintendent for Business Operations, Ms. Ofelia San Pedro, obtained a release of the funding moratorium. Subsequently, the District submitted a request claiming \$110 million in eligible past spending and estimates that may result in an initial minimum reimbursement of \$48 million in Federal cost sharing.

Mr. Vann was honored to note that at the National Association of Local Government Auditors conference in Milwaukee that he attended, the Office of Management and Compliance Audits was recognized for its performance on the Audit of Examination of the Capital Outlay Budget. The Audit received the runner-up award referred to as an “honorable mention”. He congratulated, Mr. Trevor Williams, District Director, Capital Construction and Compliance Audits for producing the report.

He was also glad to congratulate Ms. Maria Gonzalez for completing the audits of the 324 of 335 schools (97%). The risk based approach for auditing schools resulted in a 28% increase in the number of schools completed in Fiscal Year 2005 over that in Fiscal Year 2004.

Mr. Vann noted that also listed in the activity report were audits that are in progress.

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

## **9. Proposed Fiscal Year 2006 Audit Plan and Budget**

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Mr. Vann discussed the Proposed Fiscal Year 2006 Audit Plan and Budget for the Office of Management and Compliance Audits.

Dr. Mack expressed concern about M-DCPS having done business with Gallagher Bassett (Worker's Compensation Program), who had a \$27 million settlement with another school district. Dr. Mack recommended an audit of Risk Management so that M-DCPS can minimize its exposure.

Mr. Barrera suggested that instead of an audit of just maintenance fleet utilization, an audit on all M-DCPS fleet that includes take home vehicles and how much is spent. Mr. Shapiro suggested a broader spectrum. Mr. Barrera asked for a report of what it will cost to do that type of audit. Mr. Vann agreed to provide it. Mr. Barrera also noted, for the proposed audit of auctions, we should determine whether M-DCPS is making money, because for example, money is spent on long time storing, using energy and securing. In addition, he also noted that maintenance has many warehouses used for storage. He mentioned that there is no need for warehouses to be used for storage; the property where the warehouses are in should be used to build schools.

Staff and the members of the Audit Committee discussed the proposed capital audits.

Mr. Barrera pointed out that conducting an audit in materials purchasing may not be the best use of our audit resources at this time when the procedures for materials purchasing is in the process of changing. An audit should be conducted when the change is in place. Mr. Berkowitz explained that management asked Mr. Vann to look into the change process and provide input. Mr. Barrera said he is satisfied with that.

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 Proposed Fiscal Year 2005 Audit Plan and Budget, be accepted subject to change.

Mr. Vann briefed the Audit Committee on the budget portion of the Audit Plan.

## **10. External Quality Control Review Report**

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Mr. Vann identified the team that conducted the peer review. He then explained that the peer review team concluded that the internal quality control system was suitably designed and operating effectively and consequently the audits were performed in accordance with professional standards. They presented some suggestions for enhancing procedures and policies. Mr. Vann has reinforced the controls and procedures for retaining work paper files.

There was no further discussion; a motion was made by Ms. Betty Amos, seconded by Mr. Robert Schomber carried unanimously, to recommend that the External Quality Control Review Report, be accepted.

11.
  - a. Internal Audit Report – Region Center I Elementary Schools
  - b. Internal Audit Report – Region Center I Secondary Schools
  - c. Internal Audit Report – Selected Schools

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Ms. Gonzalez introduced the newly appointed Region Superintendents from Region Center 3, Mr. George Núñez and Region Center 5, Mrs. Janet Hupp. She then highlighted the important points of all three reports and noted that school administrators have made affirmative commitments to correct the deficiencies noted. In the Region Center I Elementary Schools Report, Ms. Gonzalez commended Region Center I Elementary Schools for complying with prescribed policies and procedures and maintaining their records in good order with no audit exceptions.

Mr. Shapiro referred to page 2 of the Secondary Report, and inquired if the individuals not signing the payroll documents are the same individuals from the last audit. Mr. Montes de Oca offered to find out (He reported back that the individuals were not the same). Ms. Hantman pointed out that staff needs to be prepared to answer questions and asked who is representing Region Center I. Dr. Pace responded that she is representing Mr. Woodson and Ms. Clarke is representing Mr. Gilbert for Region Center I.

Mr. Levine referred to page 27 and expressed concern that the principal is not taking responsibility but appears to be blaming the payroll clerk. Mr. Carvalho then stated that, echoing from Ms. Spaht, there has to be responsibility for actions taken regardless of the fact that there has been subsequent change.

After discussing other concerns on the secondary report and selected report, some Audit Committee members and Ms. Hantman, expressed frustration on these recurring exceptions from the same individuals and asked what will be the corrective action. The administration offered to provide a follow-up to address these concerns.

There was no further discussion; a motion was made by Ms. Betty Amos, seconded by Mr. Robert Schomber that carried unanimously, to recommend that the Internal Audit Report – Audit of Internal Funds of Region Center I Elementary Schools, June 2005; Internal Audit Report – Audit of Internal Funds of Region Center I Secondary Schools, June 2005; Internal Audit Report – Audit of Internal



Funds of Selected Schools, June 2005, be transmitted with a request for a follow-up incorporated and be received and filed by the School Board.

## **12. Review and Provide Input on Proposed Whistleblower's Board Rule**

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Mr. Garcia from the Board Attorney's Office provided a summary of the Proposed Whistle-blower Board Rule. There were several inquiries by the members of the Audit Committee. In addition, Mr. Vann pointed out that there is no remedy provision included in the proposed whistle-blower act and if statutes have been incorporated almost verbatim, it is important that the remedy provision be included.

There was no further discussion; a motion was made by Mr. Robert Schomber, seconded by Ms. Betty Amos that carried unanimously, to transmit with the recommendation to relate to the School Board that it is the Audit Committee's sense that the remedy provision of the whistle-blower act should be included and not only cross-referenced.

## **Other Business/Adjournment**

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The meeting was adjourned at 3:30 p.m.

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