

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
MARCH 15, 2005**

The School Board Audit Committee met on Tuesday, March 15, 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
Ms. Betty Amos
Ms. Lidia Monzon-Aguirre
Mr. Robert Schomber
Mr. Robert Stein
Mr. Jack Levine

Non-Voting:

Mr. Martin Berkowitz
Mr. Allen M. Vann

Members Absent:

Mr. Carlos Trueba, Vice-Chair
Mr. Agustin J. Barrera, Board Member
Mr. Robert Henderson, Jr.
Dr. Hank Mack
Mr. Michael Moore

Call to Order

Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:40 p.m.

Introductions

Mr. Jeffrey B. Shapiro greeted everyone and mentioned that Dr. Mack will not attend the meeting because of illness. He also mentioned that Ms. Cristina Perez-Ibanez will be changing jobs and she will no longer attend the Audit Committee meetings. Mr. Shapiro thanked her for her past contributions and wished Ms. Perez-Ibanez success in her new endeavors. Mr. Shapiro asked everyone to introduce themselves, and they did. The following persons were present:

Ms. Perla Tabares Hantman, Board Member
Ms. Ana Rivas Logan, Board Member
Dr. Marta Perez, Board Member
Dr. Sonia Diaz, Deputy Superintendent
Dr. Irving Hamer, Deputy Superintendent
Ms. Ofelia San Pedro, Deputy Superintendent
Mr. Johnny Brown, School Board Attorney
Mr. Herbert Cousins, Jr., Inspector General
Ms. Carolyn Spaht, Chief of Staff
Mr. Jerold Blumstein, Adm. Asst. to Dr. Karp
Ms. Lubby Navarro, Adm. Asst. to Ms. Tabares
Hantman
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera
Ms. Maria Teresa Rojas, Assistant Superintendent

Ms. Carol Cortes, Region Superintendent
Mr. John Gilbert, Region Center V Director
Mr. Jose F. Montes de Oca, Asst. Chief Auditor
Dr. Essie S. Pace, Region Superintendent
Ms. Connie Pou, Controller
Mr. Jorge L. Garcia, Region Center IV Director
Dr. Ronnie Hunter, Administrative Director
Mr. Robert Kalinsky, Region Center III Director
Ms. Daisy Naya, Assistant Controller
Ms. Sylvia Rojas, Asst. Treasurer
Mr. Julio C. Miranda, District Director
Ms. Maria T. Gonzalez, Executive Director

Ms. Alexandra Mirabal, Supervisor II
Ms. Cristina Tagle, Audit Coordinator
Ms. Elsa Berrios-Montijo, Recording Secretary
Ms. Cristina Perez-Ibanez, Adm. Asst.

Mr. John Vodenicker, Ernst & Young, LLP
Mr. Tom Bradley, Ernst & Young, LLP
Mr. Dan Ricker, Watchdog Report
Ms. Susan Kairalla, Certified Volunteer

1. Approval of the Minutes of the Audit Committee of January 25, 2005

Being no discussion, a motion was made by Mr. Robert Schomber, seconded by Ms. Betty Amos that carried unanimously, to approve the Minutes of the Audit Committee of January 25, 2005.

2. Office of Management and Compliance Audits' Activity Report

Mr. Allen Vann presented the activity report for the Office of Management and Compliance Audits and noted the completed audits and draft reports in progress. Mr. Vann referred to page 3 of the activity report regarding the E-Rate Review and said that as a result of problems the school district is having with the federal government regarding compliance with the E-rate program, the funding for this program has been discontinued and the school district has hired an attorney to help the District negotiate its way through this process with this federal agency. The Office of Management and Compliance Audits has been asked to go back to the years 1998 and 1999, where there were problems, and perform certain agreed upon procedures and run certain tests to resolve the issues with the federal government. Mr. Vann also mentioned that an E-rate audit was on the annual audit plan of the Office of Management and Compliance Audits. He also noted that the other audits are going very well and their status and scheduled completion dates are listed. He referred to page 4, item number 6, and pointed out that a Request for Proposal (RFP) for WLRN and other District support organizations' financial statement audits has been issued and sent to CPA firms and we are looking forward to receiving responses.

Mr. Shapiro asked Mr. Vann how much M-DCPS stand to receive from the E-rate program. Mr. Vann replied that it is approximately a \$98 million program and about \$50

million consist of federal reimbursements. Mr. Schomber asked when would the audit be completed. Mr. Vann replied that in the next three weeks. Ms. Monzon-Aguirre expressed concern about whether the District received any notice that the grant was going to be terminated. Mr. Vann responded that Dr. Crew received a letter in December 2004 informing that an audit had been completed in 2002 for the period of 1998-99. Ms. San Pedro added that Universal Service Administrative Company (USAC) completed the audit, that contained certain exceptions with the way M-DCPS administered the E-rate program, but the District never received a copy of the audit report. After months of following up on E-rate funding, the District received, a letter from USAC explaining that there were some issues with M-DCPS and the E-rate funding was being withheld. Apparently, Ms. San Pedro continued, there were also some allegations made by the auditors of one of the vendors utilized by M-DCPS which the District was not aware of until the letter was received. Mr. Berkowitz stated that Sprint has refused to release the documentation to counsel, for us to know what the allegations are and be able to address them. Mr. Shapiro pointed out that the District is in a catch 22 and is not able to address the issue intelligently. Mr. Levine suggested that if the M-DCPS is not a defendant in a lawsuit, we should pursue legal remedy. Mr. Schomber suggested contacting other school districts that are in the same predicament and address this issue together.

Mr. Shapiro asked for a follow-up on the E-rate issue for the next scheduled Audit Committee meeting. Ms. Tabares Hantman volunteered to provide a memorandum that was issued on this issue, because she believes there is fault on both sides. Mr. Vann added that he would also provide what is publicly available. He pointed out that he wanted the Audit Committee to be aware that OMCA is lending its resources to address this issue and that there is a significant amount of funding on the line.

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

3. Review of Cash Receipts Procedures – Office of Human Resources

Mr. Julio Miranda presented the Review of Cash Receipts Procedures – Office of Human Resources. He stated that the main objectives of this report were to determine whether there were adequate systems of internal control in place to assure proper handling and deposits of monies collected at District offices, which was almost \$5 million during last fiscal year. The audit disclosed the need for some improvement in these processes, and management has agreed to implement corrective measures. District staff satisfactorily answered questions posed by Audit Committee.

There was no further discussion; a motion was made by Mr. Robert Schomber, seconded by Ms. Lidia Monzon-Aguirre that carried unanimously, to recommend that the Review of Cash Receipts Procedures – Office of Human Resources, be received and filed by the School Board.

4. Internal Audit Report – Audit of Internal Funds of Region Center III Elementary Schools, March 2005 **Internal Audit Report – Audit of Internal Funds of Region Center III Secondary Schools, March 2005** **Internal Audit Report – Audit of Internal Funds of Selected Schools, March 2005**

Ms. Maria Gonzalez introduced all three reports; the reports were addressed together, since only one school in these reports had major audit exceptions. There were extensive discussions from Audit Committee and School Board members in attendance as to why the financial situation was in such disarray at Miami Northwestern Senior High School. Some of these members demanded action on the part of the District to correct the problems. The administration noted that they are already implementing the recommendations in the report and promised that strong corrective action will be taken.

A motion was made by Mr. Robert Schomber, seconded by Mr. Jack Levine that carried unanimously, requesting the Superintendent to discuss the timeliness of administrative action and a policy on recurring audit exceptions at the next meeting.

There being no further discussions; a motion was made by Mr. Robert Schomber, seconded by Mr. Jack Levine that carried unanimously, to recommend that the Internal Audit Report – Audit of Internal Funds of Region Center III Elementary Schools, March 2005; Internal Audit Report – Audit of Internal Funds of Region Center III Secondary Schools, March 2005; Internal Audit Report – Audit of Internal Funds of Selected Schools, March 2005, be received and filed by the School Board.

Other Business:

5. Follow-up on the School Board of Miami-Dade County, Florida – Educational Facilities Impact Fee Fund (Actual vs. Budget differentials)

Mr. Berkowitz gave an update on budget and expenditures of impact fees, over which the Audit Committee raised concerns at its last meeting. He distributed the income statement from the audit and explained that Impact fees are collected based on an interlocal agreement with the county and provided a brief history about the collection process. Mr. Berkowitz noted that during the fiscal year 2003-04 M-DCPS received \$44 million in new funds, but expenditures were only \$16 million; therefore the fund balance grew substantially. Mr. Berkowitz explained that the reason for the growth in the fund balance is that funds budgeted for construction are rarely used in the same year, because of the time it takes for construction to take place. He also noted that the administrative cost is 1% of all collections, which is set aside for district to be able to use to pay for administrative expenses associated with administering the fund. He concluded that for fiscal year 2005-06 the district should receive \$35-\$40 million dollars in impact fees and plans to expend about \$50 million, which will be the result of projects being completed within appropriate timeframes.

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

6. Best Practices For Audit Committees At Government/Not-For-Profit Entities Compared To Public Companies

Mr. John Vodenicker and Mr. Tom Bradley, of Ernst & Young, LLP, made a presentation to the Audit Committee entitled *Best Practices For Audit Committees At Government/Not-For-Profit Entities Compared To Public Companies*. The presentation emphasized the renewed importance of the Sarbanes-Oxley Act, which resulted from the financial scandals over the last few years, has placed on audit committees and their functions. Of all the topics noted in the presentation the one that generated the most discussion was the “Whistle-Blower” mechanism. Audit Committee members expressed a lot of interest in knowing what the District administration is doing to ensure the reporting of any wrong doing, without the person reporting it being fearful of retribution. Reference was made to the Inspector General and what he has done in that respect. After a lengthy discussion the Audit Committee asked the District administration to present a report at its next meeting in conjunction with Ernst & Young’s recommendation about whistle blowing.

A motion was made by Ms. Betty Amos, seconded by Ms. Monzon-Aguirre that carried unanimously, to have administration review recommendations from E&Y and report to the Audit Committee at the next scheduled meeting.

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

7. Other Business

There was no discussion on this item.

Meeting was adjourned at 2:42 p.m.

The agenda items were discussed in the following order: 1,2,3,4,5,6,7.