

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
SEPTEMBER 6, 2005**

The School Board Audit Committee met on Tuesday, September 6, 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. Carlos M. Trueba, Vice Chair
Ms. Betty Amos
Mr. Jack Levine
Ms. Lidia Monzon-Aguirre
Mr. Michael G. Moore
Mr. Robert W. Schomber
Mr. Robert Stein
Mr. Vidal Marino Velis, Esq.

Non-Voting:

Mr. Martin Berkowitz
Mr. Allen M. Vann

Members Absent:

Mr. Agustin J. Barrera, Board Member
Mr. Robert Henderson, Jr.

Call to Order

Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:47 p.m. and said our best wishes and prayers should be with our countrymen who suffered from Hurricane Katrina.

Introductions

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
Ms. Carolyn Spaht, Chief of Staff
Mr. Freddie Woodson, Associate Superintendent
Dr. Essie S. Pace, Region Supt., Region IV
Ms. Enid Weisman, Region Supt., Region II
Dr. Magaly Abrahamte, Asst. Superintendent
Ms. Maria T. Rojas, Asst. Superintendent

Mr. Ed Brown, Executive Director
Ms. Lisa Thurber, Executive Director
Ms. Isora Castro, Executive Director
Ms. Cecilia Lavina, Supervisor II
Mr. Thomas Gary, Special Counsel
Mr. Jerold Blumstein, Adm. Asst. to Dr. Karp
Ms. Beverly Gerald, Adm. Asst. to Ms. Greer
Ms. Lubby Navarro, Adm. Asst. to Ms. Hantman
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera
Mr. Jose Montes de Oca, Asst. Chief Auditor

Ms. Connie Pou, Controller
Dr. Salomon Guajardo, Chief Budget Officer
Ms. Cynthia M. Clarke, Director, Region I
Mr. Jorge L. Garcia, Region Director, Region IV
Ms. Cynthia Gracia, Administrative Director
Mr. Marcos Moran, Region Director, Region I
Ms. Gretchen Williams, Administrative Director
Ms. Daisy Naya, Asst. Controller
Mr. Leo Fernandez, District Director
Mr. Antonio Martinez, District Director

Ms. Maria T. Gonzalez, District Director
Mr. Julio Miranda, District Director
Mr. Trevor Williams, District Director
Mr. Norberto Ferradaz, Audit Supervisor
Ms. Lourdes Amaya, Administrative Aide
Ms. Elsa Berrios-Montijo, Rec. Secretary
Ms. Alysia Carr, Administrative Secretary
Ms. Georgia Ayers, Exec. Director, Alt. Pgms.
Mr. Charles Briggs, Chief Fiscal Officer, Alt. Pgms.
Ms. Susan Kairalla, Volunteer

1. Approval of the Minutes of the Audit Committee meeting of June 28, 2005

Mr. Schomber noted that according to page 5, the District staff was supposed to provide the Audit Committee with a date by which an evaluation instrument that links job targets for principals will be implemented. Mr. Woodson spoke on behalf of the District and said that the performance planning form that will incorporate more proficiently the financial components noted by the Audit Committee will be finalized shortly and will be presented to the Audit Committee at its October 2005 meeting. Dr. Perez asked that the minutes make reference to a letter submitted by the School Board Attorney, noting that she had voted against the reorganization submitted by the Superintendent to the School Board at its June 28, 2005 meeting. There being no further discussion, a motion was made by Ms. Monzon-Aguirre and seconded by Mr. Trueba, which carried unanimously, to approve the Minutes of the Audit Committee of June 28, 2005, subject to the above corrections.

2. Introductions – Audit Committee Member, Mr. Vidal Marino Velis, Esq. and Chief Budget Officer, Dr. Salomon Guajardo

Mr. Shapiro welcomed new Audit Committee Member, Mr. Vidal Marino Velis, Esq. who provided a brief description of his professional career and said he was proud to have been chosen by Ms. Rivas Logan to serve in the Audit Committee. Mr. Shapiro also introduced Dr. Salomon Guajardo, the new Chief Budget Officer.

3. Annual Financial Report for 2004 - 2005

Mr. Berkowitz explained the intricacies of the various deadlines for submittal of the report and apologized for the lateness in submitting the report to the Audit Committee and summarized it. He explained that the District's credit rating has been upgraded from "negative" to "stable" by the financial rating agencies, which translates into savings in interest expenses. Mr. Berkowitz stated the primary highlights of the annual financial report are the revenue challenges, the District's cost differential, and the contingencies which remained constant at \$62 million. Ms. Pou gave a detailed explanation of the analysis memorandum noting significant increases and decreases in revenues,

expenditures and fund balances and explained the reasons. There was extensive discussion about specifics in the report and Ms. Rivas Logan commented that taxes had not been raised thanks to Ms. San Pedro and Mr. Berkowitz astute handling of finances. Ms. Rivas Logan also noted that teacher raises were provided at the end of the school year, and that because contingency funds were able to be maintained at a reasonable level, millage rates were lowered; however, because assessed home values generally increased throughout the county most home owners experienced a corresponding increase in their tax bill. Mr. Schomber asked if the good financial news is being publicized. Ms. Rivas Logan concurred that something should be done. Ms. Spaht noted that Ms. San Pedro has publicized this, but more should be done. Mr. Trueba asked about old open purchase orders and Ms. San Pedro responded that dramatic improvement has been made by reviewing and closing General Fund purchase orders over one year old. Purchase orders for construction are more closely scrutinized and also closed if not needed. Mr. Trueba asked that a reconciliation of unreserved and designated fund balance in the General Fund to the unrestricted fund balance in the government-wide statement of net assets be prepared for the Audit Committee, to be presented at the next Audit Committee meeting. There being no further discussion, a motion was made by Mr. Trueba and seconded by Ms. Amos that carried unanimously to recommend that the Annual Financial Report for Fiscal Year Ended June 30, 2005 be received and filed by the School Board.

4. Overview of Fiscal Year '06 Budget and Financial Outlook

Ms. San Pedro in her oral presentation made reference to the potential 2005-06 shortfall and its dire consequences for the District. She noted that the budget was going to be presented for approval to the Board the next day. Mr. Shapiro expressed disappointment about the lack of planning on when to bring the proposed budget to the Audit Committee for their input, as he considers it one of the most important financial documents of the school system. There was a lengthy and spirited discussion as to the logistics of when the budget for the fiscal year should be brought to the Audit Committee. Board members present expressed a strong desire to have the Audit Committee review the budget and provide timely feedback to the School Board before it is submitted for approval. Mr. Vann noted that the Audit Committee charter does not require the approval of the budget; however, given the discussion it should be considered a best practice and he will work with the administration on the most practical approach on when to bring the budget to the Audit Committee. Ms. Amos recommended that the budget be provided and discussed at the next Audit Committee meeting. There being no further discussion, a motion was made by Ms. Amos and seconded by Ms. Monzon-Aguirre that carried unanimously to receive the budget and address it at the next Audit Committee meeting.

5. Inspector General Briefing

Mr. Vann mentioned that pursuant to Item, B-17 introduced by Ms. Hantman, and approved by the School Board at its August 17, 2005 meeting, the realignment of the duties from the Inspector General's office to Office of Management and Compliance Audits is taking place. He informed the committee that he has put Mr. Julio Miranda, a CPA, who is also a Certified Fraud Examiner, assisted by Ms. Catrina Carswell who is also a Certified Fraud Examiner, and Mr. Ivo Gomez, CPA with many years of experience to conduct the work. Mr. Vann also noted that he will personally be working with his staff in this endeavor, and will await the Board's decision at its upcoming workshops for directions

about each open case being evaluated and that he is working in concert with OPS and scheduled meetings with the State Attorney's Office to address these cases.

Dr. Perez gave Mr. Shapiro a letter dated September 2, 2005 directed to Mr. Bolaños from Mr. Franco, the Inspector General for the Department of Education, wherein Mr. Franco stated the Inspector General could report locally operational purposes; however not to an Audit Committee, but in Miami-Dade's case its Ethics Committee. Dr. Perez stated her concern that the Inspector General has to be independent and she feels that reporting at State level it is an appropriate model. Mr. Levine said that he had experience as a Chair to a public company and a bank which had whistleblower hotlines and these activities were reported to an Audit Committee. Ms. Amos expressed her dissatisfaction with the way the newspaper portrayed the Audit Committee as not being independent. Ms. Monzon-Aguirre mentioned that sometimes there are delicate issues which must be discussed and under the Sunshine Law on public discussions, that could jeopardize investigations. Mr. Trueba noted that the Office of Management and Compliance Audits has been doing an outstanding job but that the Inspector General functions should be geared more towards criminal investigations and issues of that nature. Mr. Schomber stated that the reporting has got to be on a local basis, to the Board of this school system, not to Tallahassee. Ms. Hantman asked an Audit Committee member how is the reporting function of the Inspector General at the County. Ms. Monzon-Aguirre responded that the Inspector General for the County reports to the Commission of Ethics, but no individual cases are discussed in that forum. Mr. Shapiro stated that if the Board through its workshops decides that the Audit Committee is the right place for the Inspector General to report, as their delegate, he felt confident the Audit Committee will do the best it can to discharge that responsibility. Mr. Vann provided to the Board a survey of the top 10 school districts in the nation, as a reference for benchmarking and reiterated that his office is doing the job on an interim basis. The Audit Committee and School Board members provided input and a long discussion ensued. No action was required by the Audit Committee, since this item was provided for informational purposes only.

6. Office of Management and Compliance Audits' Activity Report

Mr. Vann summarized the contents of the Activity/Status report. He also noted that the audit reports for 39 charter schools are due on September first, but this year they will be brought to the Audit Committee in four different increments, instead of all at one time. This will be done to allow more time to properly review them and conduct the necessary research when issues are detected. Mr. Schomber asked that the Audit Committee be informed as to which submissions were made on time. Mr. Shapiro suggested that Mr. Trueba work with Mr. Vann on a checklist of the reports for charter schools. No action was required by the Audit Committee, since this item was provided for informational purposes only.

7. Presentation of 2005 Annual Report

Mr. Vann reported that this annual report was sent to Audit Committee members in July and it is being formally discussed in this meeting. He reviewed some of the highlights, such as the completion of 324 schools audits and 492 property audits, at locations throughout the school district. Mr. Vann also noted 12 other internal audits that were completed and five reports by the Auditor General's

office, 30 charter schools, and 12 reports of community based organizations, audits that were performed by independent auditors. Ms. Amos complimented Mr. Vann for the excellent presentation of the report. Mr. Shapiro asked about the status of the audits of Contractor Pre-Qualification Process and Contractor Evaluation Process status. Mr. Vann promised Mr. Shapiro and the Audit Committee that a status report will be provided at the October meeting by Mr. Williams. Mr. Trueba asked for a complete inventory of updates that have been provided to the Audit Committee throughout the year to be provided at the next meeting. No action was required by the Audit Committee, since this item was provided for informational purposes only.

8. Internal Audits Report – Internal Funds of Selected Schools

Ms. Gonzalez noted that of the 28 schools from various regional centers contained in this report, 11 of them are schools that were pending audits from the prior year, which means 324 of the 335 schools in the District were audited last year. The remaining 17 schools were those where there has been a change of principal. Among these schools there are three that had audit exceptions, with the corresponding responses from administration regarding corrective actions. Mr. Shapiro observed that not only as an Audit Committee member, but also as a taxpayer, he is irritated with principals' promotions that in his opinion are not deserving because they had audit exceptions prior to being promoted. Other Audit Committee members joined Mr. Shapiro and expressed frustration with this practice. Mr. Woodson promised to instruct his staff to be more vigilant of principals' track record in reference to audit exceptions before recommending them for promotions in the future. Mr. Trueba asked for a report of all principals that were promoted over the last year who had had audit exceptions. Ms. Spaht stated that the Superintendent considers many factors not just audit exceptions when it comes to promotions. Mr. Shapiro asked that in the future someone from the Superintendent's office be available to explain at the Audit Committee meeting why a principal who had audit exception is being promoted. Ms. Spaht stated that the MEP evaluation instrument is being revised to take into consideration fiscal responsibility of principals and a pilot program of about 25 schools will be implemented and it will be presented to the Board at its November or December meeting. A motion was made by Mr. Trueba and seconded by Ms. Monzon-Aguirre that carried unanimously to provide a statistical summary for the last year of principals who were promoted and whether they had received audit findings or not at the next Audit Committee meeting. There being no further discussion, a motion was made by Ms. Amos and seconded by Ms. Monzon-Aguirre that carried unanimously to recommend that Internal Audits Report – Internal Funds of Selected Schools be received and filed by the School Board.

9. The Alternative Programs, Inc.

Mr. Miranda stated that a letter was sent to management asking for explanations to some issues noted by staff of Office of Management and Compliance Audits during the review of the audit report. Mr. Levine mentioned that there are repeated findings and it has been 9 months late. Ms. Ayers, founder of the program provided a lengthy explanation of the history of the program, what it does, and the difficulties it has encountered lately. Mr. Martinez gave a brief overview that this school was closed due to construction issues and that the District is not funding it this year. Ms. Monzon-Aguirre

suggested that in one of the findings where Ms. Ayers obtained verbal approval from the county, at a minimum an e-mail should be sent asking for a response, so that there would be written evidence. Mr. Trueba suggested to Ms. Ayers to set aside some of the funds received to strengthen the requirements for the audit in order to be in compliance. Mr. Martinez mentioned that a committee is being established to look at existing contracts and with a view towards strengthening the required documentation and thus improve the quality of information received from these organizations. Mr. Shapiro thanked Ms. Ayers for her time. There was no further discussion; a motion was made by Ms. Amos, seconded by Mr. Schomber carried unanimously, to recommend that the audit report for the Alternative Programs, Inc. be received and filed by the School Board.

10. Other Business /Adjournment

Ms. Amos asked for a follow-up that was due on the external audits of community based organizations presented at the June 2005 Audit Committee meeting.

The meeting was adjourned at 3:14 p.m.

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