

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
MARCH 14, 2006**

The School Board Audit Committee met on Tuesday, March 14, 2006 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
Ms. Perla Tabares Hantman, Board Member
Mr. Robert W. Schomber
Mr. Robert Stein
Mr. Vidal Marino Velis

Non-Voting:

Mr. Allen M. Vann
Mr. Martin Berkowitz (Absent)

Members Absent:

Mr. Carlos M. Trueba, Vice Chair
Ms. Betty Amos
Ms. Lidia Monzon-Aguirre
Mr. Manuel A. Gonzalez
Mr. Robert Henderson, Jr.
Mr. Jack Levine

Call to Order

Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:54 p.m.

Introductions

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

Ms. Ana Rivas Logan, Board Member
Dr. Marta Perez, Board Member
Ms. Antoinette Dunbar, Deputy Superintendent
Ms. Ofelia San Pedro, Deputy Superintendent
Ms. Carolyn Spaht, Chief of Staff
Mr. Freddie Woodson, Associate Superintendent
Ms. JulieAnn Rico Allison, School Board Attorney
Ms. Marilyn Batista-McNamara, Dpty. Board Attorney
Ms. Mindy McNichols, Associate Attorney
Dr. Magaly Abrahante, Assistant Superintendent
Mr. Michael Bell, Assistant Superintendent

Ms. Denise Izquierdo, Adm. Asst. to Dr. Karp
Ms. Ana Lara, Adm. Asst. to Ms. Hantman
Ms. Vivian Lissabet, Adm. Asst. to Ms. Logan
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera
Ms. Rose Diamond, Chief Facilities Officer
Ms. Connie Pou, Controller
Ms. Daisy Naya, Assistant Controller
Mr. Jose F. Montes de Oca, Asst. Chief Auditor
Ms. Cynthia Gracia, Administrative Director
Ms. Penny Parham, Administrative Director
Dr. Carlo Rodriguez, Administrative Director
Ms. Maria T. Gonzalez, District Director

Mr. Julio Miranda, District Director
Mr. Antonio Martinez, District Director,
Spec. Ed. Alt Outr. & Psyc. Serv
Ms. Pamela Sanders-White, District Director
Mr. Trevor Williams, District Director
Ms. Carol Chong, Director, Food & Nutrition
Ms. Joanne Brewton, Director
Ms. Patricia Prida, Director
Ms. Alina Diaz, Executive Director
Mr. Victor Alonso, Construction Officer
Mr. Norberto Ferradaz, Audit Supervisor
Mr. Lawrence Rubio, Audit Supervisor
Ms. Pamela Carter, Board Attorney's Office
Ms. Lisa Christie Castro, ITS
Mr. Jorge Fernandez, ITS
Ms. Lourdes Amaya, Administrative Aide
Ms. Elsa Berrios-Montijo, Rec. Secretary
Ms. Cecilia Lavina, Supervisor
Mr. Dan Ricker, Watchdog Reporter

Ms. Maggie Fresen, Academica
Ms. Ana Martinez, Academica
Mr. Victor Barroso, Chair, Doral Academy
Mr. Charles Gibson, Chair, Gibson Charter
Mr. Rene Roviroza, Principal,
Mater Academy Middle
Ms. Judith Marty, Principal,
Mater Academy High School
Mr. Joseph King, Dade Marine Institute
Mr. Michael Roegge, Dade Marine Institute
Ms. Patricia Ruffen,
Richmond-Perrine Opt. Academy
Ms. Christy B. Wilson,
Richmond-Perrine Opt. Academy
Mr. Jose Iglesias, Verdeja Gravier & De Armas
Mr. Nelson Pastor, Verdeja Gravier & De Armas

1. Approval of the Minutes of the Audit Committee meeting of January 31, 2006

There was no discussion and a motion was made by Mr. Schomber, seconded by Mr. Velis, which carried unanimously, to approve the Minutes of the Audit Committee of January 31, 2006.

2. Presentation on the Use of E-Agenda for Audit Committee Meetings

Ms. San Pedro briefed the Audit Committee members on the use of the E-agenda software for the Audit Committee meetings. She said the idea for the implementation of E-agenda is to have paperless meetings in the future. The Audit Committee members will notify the Office of Management and Compliance Audits as to what means of communication they prefer.

3. Addendum to Ernst & Young Contract for External IT Auditing Services

A motion was made by Mr. Schomber, seconded by Mr. Vidal, which carried unanimously, to postpone this item until the next scheduled Audit Committee meeting.

4. Presentation on Charter School Governance Issues

Ms. Allison made a comprehensive presentation on the Charter School Governance, in order to assist the Audit Committee with concerns of accountability, and noted some of the clauses that will be incorporated into the new contracts.

Mr. Shapiro inquired about whether a financial crisis situation should be elevated to a level where a charter school will be closed. Ms. Allison answered that a financial crisis can easily be considered cause for immediate termination criterion. Ms. Hantman asked Ms. Allison if her office will pursue such a case. Ms. Allison answered that she will and her advice would be part of the recommendation.

Mr. Shapiro asked what is the due process for those schools that fall under immediate termination. Ms. Allison said that there is a 90-day clause in the contract and the District takes over the school if the situation is not cured. She also said that the District is not allowed to assume any debt and it reverts to the governing board of the charter school.

In response to questions as to process, Mr. Bell noted that the Certificate of Occupancy will be required one month before school opens, instead of 10 days, as it is now required.

Mr. Stein complimented Ms. Allison on a very informative presentation. He asked for clarification on the discretion of termination standards involving fiscal management. Ms. Allison responded that if there are deficiencies in the operating budget, they will be evaluated on a case by case basis.

Mr. Stein shared some concerns over areas that he considers critical, such as Management Fraud and failure to make debt payment on time. He proposed that these should be closely reviewed and noted that undercapitalized schools should be monitored throughout the year not only at year's end. He also noted that failure to pay payroll taxes should be added as a mandatory cause for termination. Mr. Stein expressed concern about loans made from one charter school to another and asked whether M-DCPS has any authority to do anything about these issues.

Dr. Perez inquired about reviews of the quarterly reports and whether additional staff is needed to review these reports.

Ms. Logan suggested that the 5% that the District receives from the charter schools should be utilized to hire staff and establish an office to be self-supporting.

Ms. Allison thanked the Audit Committee and School Board members for their valuable input and comments given to her, which she promised to take under advice and incorporate into the new contract.

Ms. Spaht said that she has met with the Superintendent and Mr. Bell and they are very involved with the contract changes.

Mr. Shapiro asked whether charter schools can demand to utilize the same old contract when renewing their charter. Ms. Allison responded that this is possible, and if they reach an impasse, then it will have to be addressed through the proper channels.

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

5. Financial Statements – Charter Schools

Mr. Williams stated that this group of charter schools were doing well financially and nine of the 10 provided responses to our questions on the financial statements. Most of the concerns noted were on related party transactions; however, since some responses were not received in a timely manner, they could not be evaluated to determine if the concerns were addressed. Mr. Williams also expressed concern that the Chair of the Miami Shores/Barry University Charter School was not able to address our concerns on funds retained by the predecessor school when the change from one entity to another took place. Therefore, Mr. Williams asked to postpone action for this school at this time.

Mr. Vann reiterated that all responses have been received except for the one noted by Mr. Williams. He also noted that since the staff from the Miami Shores/Barry University Charter School could not attend the meeting, he also asked if all discussion could be deferred to the next audit committee meeting.

Mr. Williams talked about the concern on the lease arrangement at Theodore R. and Thelma A. Gibson Charter School. He stated that representatives from Gibson have indicated that they are searching for a smaller space because enrollment has decreased.

Mr. Vann responding to Mr. Stein's concern about the \$150,000 loan from Mater Middle to another school (out of county), made reference to the written response from representatives of the school where they claim that the loan has been paid back.

Mr. Shapiro and Ms. Hantman asked if loans from one charter school to another are allowed. Ms. Allison responded that she will research this issue and report back to the Audit Committee.

Ms. Logan stated that these schools need to spend their budget on a yearly basis on the students' needs and close the books without running into deficits. The budget funds are intended for the students, not the school, she concluded.

Mr. Schomber complimented Ms. Allison on an excellent presentation. Ms. Allison gave credit to Ms. McNichols and Ms. Batista-McNamara for their assistance.

Mr. Stein asked what Mater Academy High School plans to do with the accumulated funds. Ms. Marty, Principal, stated that they plan to add a new facility, enhance the curriculum, purchase books, add an athletic program, and have begun to install computer in the classrooms in anticipation of the gradebook software for the teachers.

There was no further discussion and a motion was made by Mr. Schomber, seconded by Mr. Stein, which carried unanimously, to recommend that the nine Charter Schools listed below be received and filed by the School Board and to hold Miami Shores/Barry University until the next audit committee.

- Doral Academy
- Doral Academy Middle
- Doral Academy High
- Theodore R. and Thelma A. Gibson
- International Studies
- Mater Academy
- Mater Academy Middle
- Mater Academy High
- Mater Academy East

6. Community Based Organizations

Mr. Williams stated that the financial statements for these two CBO's have been reviewed and no major concerns were noted. Mr. Shapiro asked for clarification on the related party transaction on pages 10-11 of the Dade Marine Institute. Mr. Roegge, Director of Dade Marine Institute, explained that this debt had been carried on the financial statements for many years, but it has been forgiven and it should not reappear.

There was no further discussion and a motion was made by Mr. Schomber, seconded by Mr. Stein, which carried unanimously, to recommend that the Community Based Organizations: Dade Marine Institute, Inc. and Richmond-Perrine Optimist Club be received and filed by the School Board.

7. Auditor General's Operational Audit of Miami-Dade County District School Board for the period July 1, 2003 through June 30, 2005

Mr. Montes de Oca explained that this is the tenth edition and last report on a series of special reports issued by the Auditor General, pursuant to a special allocation made by the Florida Legislature in their 2000 session. He noted that this report summarizes reports dating back to 2001. He also noted that there are two new findings #18 and #19 individual noted in the report.

Mr. Schomber asked what the District is doing about making purchases directly from vendors to save the cost of sales tax construction projects. Ms. Diamond responded that this concept has already been expanded from two prototype schools to all major projects and once the legislature passes a law that has been proposed to facilitate the process, the contractors can do it directly.

Mr. Schomber asked if this issue is on the legislative agenda. Ms. San Pedro responded that this issue has been on the legislative agenda for two years, but it has not been passed.

There was no further discussion, and a motion was made by Mr. Schomber, seconded by Mr. Stein, which carried unanimously, to recommend that the Auditor General's Operational Audit of Miami-Dade County District School Board for period July 1, 2003 through June 30, 2005 be received and filed by the School Board.

8. Office of Management and Compliance Audits

Mr. Vann briefly summarized the report and noted the audits in progress. He also noted that Ms. Germa Garcia, Senior Auditor, obtained her CPA license to practice in the State of Florida.

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

9. Internal Audit Report – School Audits

Regional Center II Elementary Schools

Regional Center II Secondary Schools and Centers

Regional Center IV Elementary Schools

Regional Center IV Secondary Schools and Centers

Ms. Gonzalez summarized the results of the four Internal Funds Audit Reports. She pointed out that there were no audit exceptions at any of the schools and noted that the school records are in good condition.

There was no discussion and a motion was made by Mr. Schomber, seconded by Mr. Stein, which carried unanimously, to recommend that the Internal Audit Reports of Regional Centers II & IV Elementary Schools, Secondary Schools and Centers be received and filed by the School Board.

10. Other Business

a. Update on Inspector General Selection Process

Mr. Shapiro, who was elected as the Chair of the selection committee for the selection of the Inspector General, spoke about the process the committee will use to select a new Inspector General and noted that the advertisement will be posted in the near future.

b. Update on Audit Committee Board Rule Change

Mr. Vann provided an update on the Audit Committee Board Rule change. He referred to the School Board recommended changes on page 2 of the Board Rule and noted that it will go to final reading in April. Mr. Stein expressed agreement with the change in the number of Audit Committee meetings from 7 to 6.

There was no further discussion and a motion was made by Mr. Schomber, seconded by Mr. Stein, which carried unanimously, to transmit to the School Board the concurrence of the Audit Committee with terms of the recommended changes to the Audit Committee Board Rule.

c. Presentation on Office of Management and Compliance Audits (OMCA) Website

Ms. Lisa Castro, Coordinator, ITS, made a presentation of the OMCA's website. She demonstrated how to navigate through the basics on the website and mentioned that the website complies with the District's standards. She pointed out that Mr. Lawrence Rubio assist with maintaining the website up to date.

Adjournment

The meeting was adjourned at 2:21 p.m.