

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
MAY 2, 2006**

The School Board Audit Committee met on Tuesday, May 2, 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
Mr. Carlos M. Trueba, Vice Chair
Ms. Perla Tabares Hantman, Board Member
Ms. Betty Amos
Ms. Lidia Monzon-Aguirre
Mr. Manuel A. Gonzalez
Mr. Robert Stein
Mr. Vidal Marino Velis

Non-Voting:

Mr. Martin Berkowitz
Mr. Allen M. Vann

Members Absent:

Mr. Robert Henderson, Jr.
Mr. Jack Levine
Mr. Robert W. Schomber

Call to Order

Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:41 p.m.

Introductions

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

Ms. Evelyn Langlieb Greer, Board Member
Ms. Ana Rivas Logan, Board Member
Dr. Marta Perez, Board Member
Ms. Ofelia San Pedro, Deputy Superintendent
Ms. Carolyn Spaht, Chief of Staff
Ms. JulieAnn Rico Allison, School Board Attorney
Dr. Lourdes Rovira, Associate Superintendent
Mr. Freddie Woodson, Associate Superintendent
Ms. Bruce Ball, Assistant Superintendent
Mr. Michael Bell, Assistant Superintendent
Ms. Maria Teresa Rojas, Asst. Superintendent
Mr. Luis Garcia, Sr. Assistant Board Attorney
Mr. Carlos Becerra, Adm. Asst. to Mr. Bolanos

Ms. Maria B. Diaz, Asst. to Dr. Perez
Ms. Denise Izquierdo, Adm. Asst. to Dr. Karp
Ms. Ana Lara, Adm. Asst. to Ms. Hantman
Ms. Vivian Lissabet, Adm. Asst. to Ms. Logan
Ms. Barbara Miranda, Adm. Asst. to Mr. Barrera
Ms. Rose Diamond, Chief Facilities Officer
Ms. Mariaelena Vidal, HR Officer
Mr. Joseph Gomez, Assistant Superintendent
Dr. Kamela Patton, Assistant Superintendent
Dr. Alberto Rodriguez, Region Supt., Region I
Ms. Enid Weisman, Region Supt., Region II
Mr. George Nuñez, Region Supt., Region III
Dr. Essie S. Pace, Region Supt., Region IV

Ms. Connie Pou, Controller	Ms. Rose Deal, JESCA
Ms. Daisy Naya, Assistant Controller	Ms. Beverly Davis, JESCA
Mr. Jose F. Montes de Oca, Asst. Chief Auditor	Ms. Sandra Hall, JESCA
Ms. Maria T. Gonzalez, District Director	Ms. Andrea Young, JESCA
Mr. Julio Miranda, District Director	Ms. Mary Foster, Parent JESCA
Mr. Trevor Williams, District Director	Mr. Luis Pradere, JESCA
Mr. Will Gordillo, Administrative Director	Ms. Sylvia Jones, JESCA
Ms. Cynthia Gracia, Administrative Director	Mr. Clyde Peffs, JESCA
Dr. Bhagwan Gupta, Administrative Director	D. McIntosh, JESCA
Ms. Penny Parham, Administrative Director	Mr. Bobby Brown, JESCA
Mr. Craig Rinehart, Administrative Director	Mr. Terry Joseph, JESCA
Dr. Carlo Rodriguez, Administrative Director	Ms. Sylvia Styles, JESCA
Mr. Jon Goodman, Executive Director	Mr. George Desrameans, JESCA
Ms. Judith Marte, Executive Director	Mr. John Ankieau, JESCA
Ms. Tamara Wain, Director	Ms. Judy Carter
Mr. Lawrence Rubio, Supervisor	Ms. Ana Martinez, Pinecrest Preparatory Aca.
Ms. Germa Garcia, Senior Auditor	Ms. Judith Marty, Pincrest Preparatory Academy
Ms. Nelly Fuentes-Lacayo, Senior Auditor	Mr. Keith Spence, Miami Community Charter
Mr. Michael Hernandez, Audit Coordinator	Mr. William Heffernan, Miami Shores/Barry
Ms. Lourdes Amaya, Administrative Aide	University Charter
Ms. Elsa Berrios-Montijo, Rec. Secretary	Mr. Regino Rodriguez, Miami Shores Charter
Ms. Bertha Valcarcel, Part-time	Dr. Jessica Rivera, Rosa Parks Charter
Mr. Frederick F. Thornburg, EAC Chair	Mr. Larry Brown, CPA, Rosa Parks Charter
Commissioner Dorrin D. Rolle, JESCA	Mr. Dan Ricker, Watchdog Reporter
Mr. Larry Hardford, JESCA	Ms. Susan Kairalla, Director of Volunteer Service
Ms. Gali R. Morris, JESCA	
Ms. Chelsea Brown, JESCA	
Mr. Javier Breadlove, JESCA	

1. Approval of the Minutes of the Audit Committee meeting of March 14, 2006

There was no discussion and a motion was made by Mr. Trueba, seconded by Ms. Monzon-Aguirre, which carried unanimously, to approve the Minutes of the Audit Committee of March 14, 2006.

2. Financial Statements – Charter Schools

Mr. Williams and Mr. Ferradaz introduced the charter schools item and explained the financial statements of the nine charter schools in this group will complete the review of financial statements received from charter schools for the year ended June 30, 2005. Mr. Vann pointed out that the issues noted with the individual charter schools were discussed with the charter school administration and they have provided a plan of action.

Miami Community Charter School

Mr. Shapiro inquired about the related party transaction and the high administrative expenses noted. Mr. Keith Spence, representative from Miami Community Charter, apologized for not submitting the response on time and said that he had a response to that issue. He explained that the president of the school has stepped down and the Board has recommended that the \$10,000 be reimbursed to the school. He also explained that the obligation has not been paid but it is not forgotten. He made a comparison of the administrative costs of 2005 and 2006 and noted that they had gone down from 28% to 12%. He explained that the school is in good standing except for the \$10,000 deficit in the fund balance. Mr. Trueba inquired about the 2006 budget. Mr. Spence said the budget for 2006 is \$259,067 and the revenue projected for 2006 \$1.89 million.

Mr. Shapiro requested a **follow-up** of the repayment issue. Mr. Spence agreed to provide a follow-up.

Miami Shores/Barry University Charter

Mr. Stein inquired about what occurred to the \$97,470 that remained when the school closed. Mr. Heffernan, Former Chair, responded that these were private monies solicited on behalf of the new middle and high school. He explained that all assets were transferred from Miami Shores to Doctors. Charter excluding the \$97,000. He pointed out that these monies will be reserved to support the middle and high school. Mr. Shapiro asked Ms. Allison on reverting of funds. Ms. Allison responded that rule applied to "public funds," but according to the school, the funds were privately obtained.

Pinecrest Preparatory Academy Charter Middle

Mr. Vann explained that for all the notations, responses were received noting that monies were paid and the segregation duty issues were corrected.

Rosa Parks Charter - Overtown Campus

Mr. Bell explained that Rosa Parks Overtown campus is no longer in operation.

Dr. Jessica Rivera, Director, Financial Administration, explained that the large part of the expense incurred is the administrative fee that it is charged by the management company that provides the services for the school.

There were some questions by A/C members on the issues noted by the OM&CA and the responses provided by the administration on three of the remaining charter schools, which were satisfactorily addressed by the schools' administration.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Trueba, which carried unanimously, to recommend that the audit reports of the nine charter schools in this group for the fiscal year ended June 30, 2005 be received and filed by the School Board.

3. Audit of JESCA - Roving Leaders Program

Mr. Vann explained that the Audit Committee at its December 7, 2005 meeting expressed concerns about the use of District's funding for the Roving Leaders Program and directed the OM&CA to perform an audit of the program. Mr. Williams, who supervised the audit, recognized Ms. Nelly Fuentes-Lacayo the auditor who performed the audit and thanked JESCA's staff for their support during the audit. Mr. Williams summarized the findings and explained that the audit focused on revenues and expenditures of the Roving Leaders Program, as well as compliance with contract provisions. He noted that the audit concluded that JESCA's financial management needs improvement and emphasized that the District overpaid the Roving Leaders Program \$114,090 based on FTE revenues. Mr. Williams stated that District-provided funds were likely used to pay portions of the \$139,000 in accumulated bank charges which precipitated the audit. He concluded that student attendance information was inconsistent and there was a lack of compliance with the contract provisions.

There was extensive and detailed discussion among School Board, Audit Committee members and representatives from JESCA. A large portion of the discussion centered on whether the overpayment of the \$114,090 was due to JESCA's or M-DCPS administration's fault and whether M-DCPS is bearing an unreasonable portion of JESCA's administrative costs.

Representatives from JESCA argued strongly that the reason for the overpayment was that JESCA's administration was only following M-DCPS' staffs instructions in billing the District and that holding payment until this amount is recovered would put them out of business.

At this juncture Ms. Allison offered that this is an audit report and the Audit Committee meeting is not the appropriate forum to determine what action should be taken. She suggested this is an administrative issue and should be addressed accordingly.

Ms. Spaht brought the discussion to an end by stating that the payment issue will be resolved by the District's administration.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Gonzalez, which carried unanimously, to forward the Internal Audit Report of JESCA – Roving Leaders Program to School Board for appropriate action as it deems appropriate.

4. Office of Management and Compliance Audits

Mr. Vann summarized the report and noted the audits in progress and future audits. He also noted that he received information that the Federal Government performed a follow-up on our audit on the E-rate Program and were so impressed with our program that, they will use our process as best practice. Mr. Vann announced that he and Mr. Montes-de-Oca will attend the National Association of Local Government Auditors and Intergovernmental Audit Forum where he will make a presentation on school audits. He also announced that as a member of this organization, he has been invited to be part of a team that will conduct a peer review at Clark County, Nevada in July.

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

5. Audit of Exceptional Student Education Program

Mr. Williams highlighted the scope of the audit and mentioned that some areas are working well, but others need improvement.

Mr. Shapiro complimented the report, especially the chart on Internal Control Evaluation on page 3.

Ms. Ball pointed out that there was a lot of interaction and communication throughout the audit. She then referred to a handout she provided on the Exceptional Student Education Audit Action Plan.

Mr. Stein commended staff on the report; and noted that it is very informative. He inquired as to what are the plans for the Medicaid reimbursement issue. He also expressed concern on the third party involvement with the 13% fee of the \$1.5 million. Mr. Williams responded that the 13% fee on the \$1.5 million is handled in a different program.

Ms. Allison complimented the ESE Department and observed it as being stellar. She also observed that this department operates in a very highly-regulated area, especially with Medicaid reimbursement.

There was no further discussion and a motion was made by Ms. Monzon-Aguirre, seconded by Mr. Trueba, which carried unanimously, to recommend that the Internal Audit Report of Exceptional Student Education Program, April 2006 be received and filed by the School Board.

6. Audit of Hospitality Services

Ms. Gonzalez introduced the report and highlighted what the audit disclosed. She explained that the financial statements were in good standing. Ms. Diamond added that the cause for the deficit is that productivity has increased. She said that measures have been taken to correct the deficiencies.

There was no further discussion and a motion was made by Ms. Monzon-Aguirre, seconded by Mr. Trueba, which carried unanimously, to recommend that the Internal Audit Report of Hospitality Services, April 2006 be received and filed by the School Board.

7. Review of Hubert O. Sibley Elementary School – Family Literacy Grant

Ms. Gonzalez summarized the results of this review. She explained the questionable grant expenditures and pointed out that the controls over the monitoring and approval of grant expenditures need improvement.

Ms. Hantman asked, what happens when monies spent did not comply with the guidelines of grants. Ms. Gonzalez responded that some expenditures were questionable; however in this case there was no personal benefit or gain obtained by the principal.

Ms. Hantman expressed concern with these findings and asked whether the funds may have to be returned to the funding agency. Ms. Marte responded that the program manager has filed the required performance report with the granting agency and if they are satisfied with the contents of the performance report, they would not necessitate the repayment of funds. Ms. Marte added that the Grants Administration shares the audit department's concerns and they are implementing corrective action.

Mr. Trueba inquired from Ms. Gonzalez and Ms. Marte if the program components were audited. Ms. Gonzalez responded that the finances such as: payroll and supplies expenditures, employees' requirements, possible and personal benefits were reviewed. Mr. Trueba asked if the program components were affected. Ms. Gonzalez responded that the program components were not affected. Ms. Marte added that the principal of Hubert O. Sibley Elementary is also the program manager of the grant and Mr. Dale Keith is responsible for submitting the grant reports to the State. Ms. Marte stated that the reports were filed and accepted by the State.

Ms. Weisman thanked the Office of Management and Compliance Audits for bringing this issue to the attention of the Regional Center Office and said that the Region will take a more active role in monitoring grant funds at the schools.

There was no further discussion and a motion was made by Mr. Trueba, seconded by Mr. Gonzalez, which carried unanimously, to recommend that the Review of Hubert O. Sibley Elementary School – Family Literacy Grant be received and filed by the School Board.

8. Internal Audit Report – School Audits

Regional Center III Elementary Schools

Regional Center III Secondary Schools and Centers

Selected Schools

Mr. Vann explained that all the schools mentioned in the Elementary, Secondary and Centers reports were in compliance with the prescribed policies and procedures. However, in the Selected report there were some audit findings, but no repeated findings from the previous year.

There being no discussion, a motion was made by Ms. Amos, seconded by Mr. Trueba, which carried unanimously, to recommend that the Internal Audit Reports of Regional Center III Elementary Schools, Secondary Schools and Centers and Selected Schools, April 2006 be received and filed by the School Board.

9. Other Business

a. Update on Inspector General Selection Process

A motion was made by Ms. Amos, seconded by Mr. Trueba, which carried unanimously, to move item 9a up on the agenda for discussion.

Mr. Shapiro recognized Mr. Thornburg, Chair of the Ethics Advisory Committee, who is also part of the selection committee for the Inspector General. The Chair briefed the Audit Committee on the results of the interviews for the selection of the Inspector General, and informed that none of the candidates were recommended to the School Board for its

consideration. The Selection Committee recommended that the School Board consider modifying the Board rule to make the accounting and business education and auditing experience requirements non-mandatory.

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

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

Mr. Montes-de-Oca explained that Ernst & Young is proposing to perform an external IT Audit. The Audit Committee approved an agreement with Ernst & Young to perform certain professional services that include a security assessment of Miami-Dade County Public Schools' systems and technology connected to and accessible through the public Internet. The framework of the agreement has been established and only the legal aspects of the agreement remain to be worked out by both parties.

There was no further discussion, a motion was made by Ms. Betty Amos, seconded by Ms. Monzon-Aguirre which carried unanimously, to recommend that the Addendum to Ernst & Young Contract for External IT Auditing Services was reviewed and be submitted to the School Board.

Adjournment

Agenda Items were discussed in the following order: 1,2,3,4,5,9a,6,7,8,9b.
The meeting was adjourned at 2:57 p.m.