

MIAMI-DADE COUNTY PUBLIC SCHOOLS



2011 ANNUAL REPORT



OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Perla Tabaes Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Carlos L. Curbelo
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Dr. Marta Pérez
Raquel a. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

Mr. Jose F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

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Staff from the Office of Management and Compliance Audits

MIAMI-DADE COUNTY PUBLIC SCHOOLS
OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS





Miami-Dade County Public Schools

giving our students the world

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September 21, 2011

Members of the School Board of Miami-Dade County
Members of the School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

It is my pleasure to present the Annual Report from the Office of Management and Compliance Audits for the 2010-2011 fiscal year. Pursuant to School Board Policy 6835, "The Chief Auditor will submit to the Audit and Budget Advisory Committee, the Superintendent, and the Board for review a comprehensive Audit Plan for a year. This plan should identify the overall audit scope of scheduled examinations in both financial and non-financial areas." This report summarizes the auditing activities for the 2010-2011 fiscal year, and includes the Audit Plan for the 2011-2012 fiscal year. Developments during the summer and feedback from the administration resulted in some minor adjustments to the Proposed Audit Plan presented to you at the June 28, 2011 meeting.

The end of fiscal year 2010-2011 marked a year of financial challenges for the school district which resulted in several reorganizations of functions and staff and workforce reductions. We at the Office of Management and Compliance Audits incurred some personnel losses and made adjustments to complete the audit plan as much as possible. As you will see throughout the pages of the summary of activities that follow, *we not only worked hard, but smarter to capitalize on our limited resources*. These achievements could not have been realized without the support and untiring efforts of staff from the Office of Management and Compliance Audits; and without the unwavering leadership of the School Board and the Audit and Budget Advisory Committee.

I would be remiss if I did not acknowledge the collegiality extended to me by the Superintendent and the administration in general, and the atmosphere of mutual respect and collaboration under which we have operated.

Respectfully yours,

Jose F. Montes de Oca, CPA, Chief Auditor
Office of Management and Compliance Audits

TABLE OF CONTENTS

Page
Number

2011 Annual Report

About Our Office	1
Audit and Budget Advisory Committee Membership.....	3
Organizational Chart	4
Audit Reports Issued	5
School Audits	6
Property Audits	11
Internal Audits	12
Investigative Audits.....	16
Civilian Investigative Unit Cases.....	19
External Audits	22
Financial Audits.....	23
Charter School Audits	24
Audits of Community Based Organizations	29
Office of Inspector General Reports	29
Non-Audit Services and Activities	30

2012 Annual Audit Plan and Budget

Introductory Memorandum	35
Planning Process	36
School Audits Division.....	37
District Audits Division.....	39
Investigations/Forensic Audits	57
Property Audits	60
Internal Audit/Civilian Investigative Unit Staffing	61
Internal Audit/Civilian Investigative Unit Comparative Budget	62
Other Non-Audit Services	63

ABOUT OUR OFFICE

- ▶ The Office of Management and Compliance Audits was established by the School Board pursuant to School Board Policy 6835 *Office of Management and Compliance Audits*.
- ▶ We are responsible for providing the School Board, the School Board Audit and Budget Advisory Committee, and the Superintendent of Schools with an independent and objective evaluation of the fiscal activities in the school district.
- ▶ The above task is accomplished through the issuance of various audit reports that are filed as a public record of the organization.
- ▶ We advise the administration on many issues related to the fiscal operations of the school system by participating in several committees, and also by the issuance of various correspondences on issues dealing with fiscal and operational matters.
- ▶ An annual audit plan is prepared that governs the activities of the office, and sometimes includes input from the administration, the School Board and the School Board Audit and Budget Advisory Committee.

OUR MISSION

Our mission is to provide an independent appraisal activity as a service to the School Board through the Superintendent and the Audit and Budget Advisory Committee. Through the internal audit process, our office assists management in maintaining an internal control environment that is conducive to safeguarding and preserving the school system's assets and resources, improving the general effectiveness of its operations, and assuring compliance with applicable laws, rules and procedures.

AUDIT OBJECTIVES

- ▶ Perform examinations of the financial records in accordance with generally accepted auditing standards.
- ▶ Ascertain the reliability and adequacy of accounting reporting systems and procedures.
- ▶ Perform an independent appraisal of the adequacy and effectiveness of internal controls.
- ▶ Assure compliance with policies and procedures established by the School Board and the administration, and with state and federal laws and regulations.
- ▶ Improve the efficiency of the school system's operations by providing recommendations in audit reports.
- ▶ Ascertain if school system assets are properly accounted for and safeguarded from loss.

ROLE OF THE CHIEF AUDITOR

- ▶ During the 2010-2011 fiscal year, the Chief Auditor and the Office of Management and Compliance Audits reported to the Audit and Budget Advisory Committee, the School Board's designee. To enhance the objectivity and effectiveness of the internal auditing activities, reports, audit findings and recommendations emanating from the Office are submitted to the School Board, the Board's Audit and Budget Advisory Committee and the Superintendent of Schools at the same time.
- ▶ The Chief Auditor keeps abreast of new developments in the school system by attending the School Board meetings, Superintendent Cabinet meetings, and meetings of school system-wide communities.
- ▶ The Chief Auditor also acts as liaison between the school system and external auditors (federal, state, independent auditors, and other outside audit entities).

ROLE OF THE AUDIT AND BUDGET ADVISORY COMMITTEE

Expanding Role of the Committee

The proposed School Board rule expanding the Audit Committee's fiduciary responsibilities to include the budget process was approved on its final reading at the School Board's May 11, 2011 meeting. Therefore, the role of the Audit Committee was changed and accordingly its name was changed from the *Audit Committee* to the *Audit and Budget Advisory Committee*.

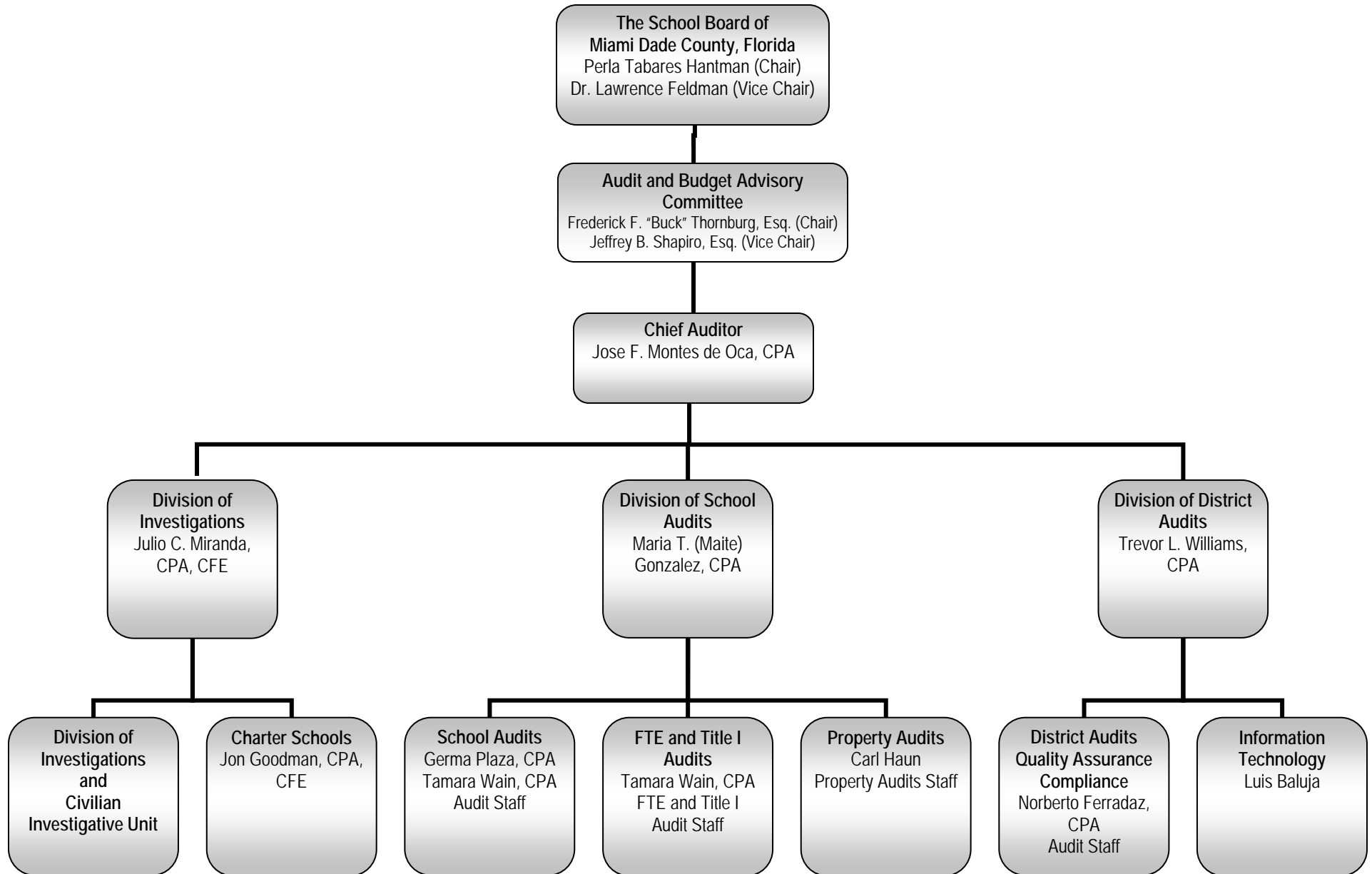
- ▶ The School Board Audit and Budget Advisory Committee supervises auditing activities at the school district. ***This includes the work and the activities of the internal auditors from the Office of Management and Compliance Audits.***
- ▶ The Audit and Budget Advisory Committee reviews the work of the external auditors, the work of other auditors who provide financial audits on charter schools and other components of the School District; and the work of the State Auditor General.
- ▶ Its general purpose is to ensure that the overall audit coverage of Miami-Dade County Public Schools is sufficient and appropriate to protect the citizens of Miami-Dade County Florida; to ensure that an adequate system of internal control has been implemented in Miami-Dade County Public Schools and is being effectively followed; and to assist and advise The School Board of Miami-Dade County, Florida, and the Superintendent of Schools in fiscal matters pertaining to the district.

OUR RELATIONSHIP WITH THE AUDIT AND BUDGET ADVISORY COMMITTEE

- ▶ The Office of Management and Compliance Audits is entrusted with the responsibility of providing service and support to the Audit and Budget Advisory Committee, including publishing meeting notices, keeping its minutes, establishing the agenda in collaboration with the Chair of the Audit and Budget Advisory Committee, and gathering the supporting documentation for distribution, and ensuring the smooth operation of the Committee affairs.

Audit and Budget Advisory Committee Membership	Title	Professional Affiliation	Appointment Information
			School Board Member
Mr. Frederick F. Thornburg, Esq.	Chair	Former Partner Barnes & Thornburg LLP and Past President and Member of Board of Directors Wackenhut, Intl. CEO of FFS, LLC; and currently serves on Charitable, Civic, Academic and Company Boards.	Mr. Renier Diaz de la Portilla
Mr. Jeffrey B. Shapiro, Esq.	Vice-Chair	Law Partner Arnstein & Lehr LLP	Ms. Perla Tabares Hantman, School Board Chair
Dr. Lawrence Feldman	Voting Member	School Board Vice Chair Representing the Board	Ms. Perla Tabares Hantman, School Board Chair
Ms. Susan Marie Kairalla	Voting Member	Volunteer	Dr. Marta Pérez
Mr. Willie Kemp	Voting Member	Assistant Controller Florida Memorial College	Dr. Wilbert T. Holloway
Ms. Wendy Lobos	Voting Member	Councilwoman City of Homestead	Dr. Lawrence Feldman, School Board Vice Chair
Mr. Roland Sanchez-Medina, Jr., Esq.	Voting Member	Law Partner Sanchez-Medina, Gonzalez, et al	Ms. Raquel A. Regalado
Mr. Mayowa F. Odusanya, Esq.	Voting Member	Law Practice Professional Odusanya Law Offices, P.A.	Dr. Dorothy Bendross-Mindingall
Mr. Jose I. Rasco	Voting Member	Investment Professional	Mr. Carlos L. Curbelo
Mr. Isaac Salver, CPA	Voting Member	Accounting/Bus. Advisory Professional Isaac Salver CPA Firm	Dr. Martin S. Karp
Dr. Richard H. Hinds	Non-Voting Member	Associate Superintendent/Chief Financial Officer	N/A
Mr. Jose F. Montes de Oca, CPA	Non-Voting Member	Chief Auditor Office of Management and Compliance Audits	N/A

ORGANIZATIONAL CHART



AUDIT REPORTS ISSUED BY THE OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

We have classified the audits prepared and presented by the Office of Management and Compliance Audits into five categories:

- ▶ School audits;
- ▶ Property audits;
- ▶ District audits (including the Year-End Inventory audit);
- ▶ Investigative audits; and
- ▶ External Audits.

A summary of the work performed by the Civilian Investigative Unit (CIU) is reported as part of the Investigative Audits since CIU reports to our Investigative Audits Division.

CIU's casework represents part of our non-audit services, and is not required to comply with government auditing standards.

SCHOOL AUDITS

Section 1011.07, Florida Statutes, and State Board of Education Rule 6A-1.087 entitled School Board Responsible for Internal Funds, requires school boards to provide for an annual audit of internal funds.

The scope of our school audits is based on individual evaluations at each and every school, considering materiality, past audit findings/experience, size of school staff, principals' tenure, etc. Based on this assessment, we determined the scope of audit work at each school. At all the schools, we reviewed internal funds and property procedures. At selected schools we reviewed the following:

- ▶ **Payroll records and procedures at 109 schools (37%).** This consisted of a review of payroll procedures and documentation related to the preparation of usually the most current payroll records, which include time and attendance and leave records. This review also includes the reporting of payroll at the schools, and the controls over the payroll function.
- ▶ **The Purchasing Credit Card Program (P-Card) at 47 schools (16%).** This consisted of the review of the procurement credit card reconciliations and supporting documentation; and a test of expenditures to ensure they were in compliance with established procedures.
- ▶ **Data security management report and school site IT security audit assessment at 44 schools (15%).** At these schools, we reviewed data security management reports to ensure that staff access to computer system applications was appropriate. Of the **44** schools, audit staff reviewed related to school site IT equipment location and security at **13** schools.
- ▶ **Title I Program audits were selectively conducted at 13 schools (4%).** At the schools, principals administer Title I programs with oversight from the Regional Centers, and under general direction from the Title I Administration Office. To promote district and school-wide compliance with Federal, State, and District regulations and guidelines, and ensure that appropriate evidence sources document compliance, the Office of Management and Compliance Audits incorporated the audit of this program into the school audits.

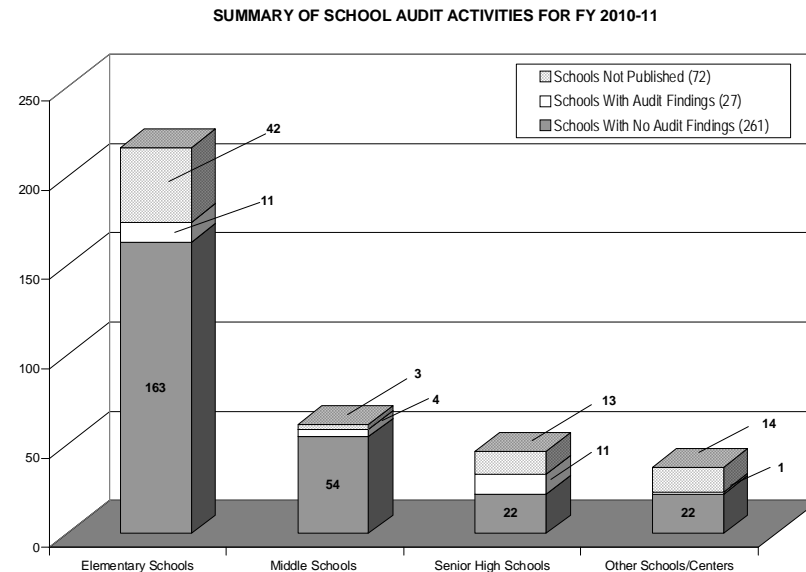
SCHOOL AUDITS (CONTINUED)

- ▶ **FTE audits were conducted at 36 schools (12%) based on audit criteria developed by this office.** FTE audits were incorporated as part of the school audits routinely performed by this office. Miami-Dade County Public Schools receives a significant portion of its State funding through the Florida Education Finance Program (FEFP). During our FTE audits, we examined student records to determine compliance with State law and State Board of Education rules relating to the classification, assignment, and verification of full-time equivalent student enrollment under FEFP. A review of records was related to student attendance, Special Education, English Language Learners, Cooperative Education and Teacher Certification.
- ▶ **We found that of 288 schools audited this year, 261 schools (91%) conducted their financial affairs in accordance with District policies and maintained good internal controls. However, at 27 schools (9%) there were opportunities for improvement. Nevertheless, the number of schools with exceptions decreased when compared to last year's results where, of 313 schools audited, 32 schools (10%) were cited.**

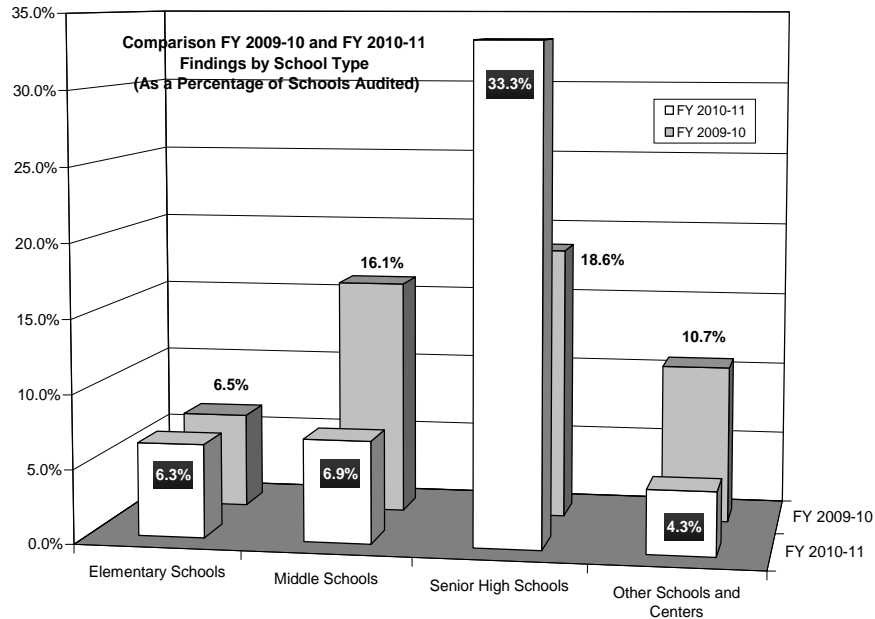
SCHOOL AUDITS--SUMMARY OF RESULTS

- ▶ The Audit Plan for the 2010-11 fiscal year mapped the school audit coverage at 80-85% of the school sites, which we met by completing a total of 288 of 360 school audits to be performed for the 2010-11 fiscal year. Our audit coverage represented 80% of the total audit population.
- ▶ Compared to the previous year's audit activity (2009-10), the total number of schools audited decreased by 25 schools, or 8%. The decrease is the result of staff reductions at school sites and within our own office, which prevented us from completing the assignments within shorter timelines, in addition to five new schools to audit this fiscal year. Also, some of the audits this year, as evidenced by some of the types of findings reported throughout the year, required additional time and effort.

- ▶ The graph to the right depicts the breakdown of district schools arranged by Elementary, Middle, Senior High and other schools (Alternative, Vocational, etc.), depending on whether the school had audit findings/no audit findings published, or the school audit was pending publication as of the end of the fiscal year.
- ▶ When compared to last year's school audit results, we noted a decrease in the number of elementary, middle and other schools with audit findings.



SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

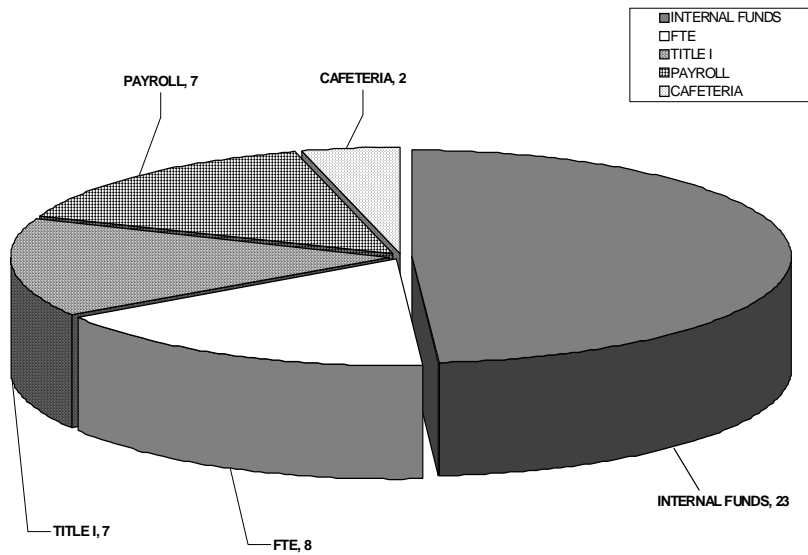


- ▶ The graph to the left shows that by comparison, senior high schools still require greater attention.
- ▶ The breakdown of school audits reported by region shows the heaviest concentration of schools with audit findings in ETO followed by Region V (with 6 findings each). Audit results for the rest of the Regions are fairly close.

Going forward, those schools whose audits reported findings should strengthen their fiscal accountability and management of the various programs reviewed.

SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

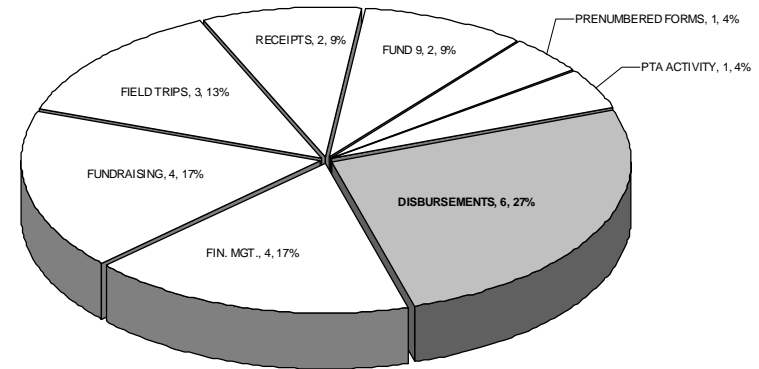
Audit Findings by Major Category FY 2009-10



► As the pie chart to the left depicts, audit findings at the schools were mostly in the area of Internal Funds, followed by FTE and Title I.

► A closer breakdown of the findings within the area of Internal Funds demonstrates that non-compliance with disbursement procedures was the area most cited during our audits (see shaded area representing 6 of 23 findings in Internal Funds, or 27%).

BREAKDOWN OF FINDINGS ACCORDING TO AREA (INTERNAL FUNDS ONLY)



PROPERTY AUDITS

- ▶ The Office of Management and Compliance Audits is responsible for ensuring that the School District is accounting for all of its personal property. At M-DCPS, the management of property items must comply with the guidelines established in the *Manual of Property Control Procedures*.
- ▶ In order to comply with the Rules of the Auditor General, Chapter 10.400, and Chapter 274.02 of the Florida Statutes, a complete physical inventory of all property shall be taken annually, be compared with the property record, and discrepancies must be identified and reconciled.
- ▶ Accordingly, our office conducts yearly inventories at each school of all property items with an individual value of \$1,000 or more, the results of which are reported as part of the school audits.
- ▶ During FY 2010-11, our Property Auditors visited close to 400 work locations and accounted for approximately 95,000 items with a cost of almost \$377 million; of which approximately \$243,400 (0.06%) was reported as "unlocated", and \$339,700 (0.09%) was reported missing through the Plant Security Report process. The combined loss rate was only 0.15%.

PHYSICAL INVENTORY RESULTS 2010-2011 FISCAL YEAR					
School/Department	Total Property Cost	Total Property That Could Not Be Accounted For			Percentage Unaccounted For
		Per Physical Inventory	Per Plant Security Reports	Total	
Region I	\$ 42,148,206	\$ 32,416	\$ 46,774	\$ 79,191	0.19%
Region II	30,483,576	7,033	39,184	46,217	0.15%
Region III	30,716,391	17,639	59,949	77,588	0.25%
Region IV	40,326,115	23,585	45,677	69,262	0.17%
Region V	23,487,711	6,898	8,950	15,848	0.07%
ETO	17,310,435	36,972	93,224	130,196	0.75%
Other Centers	18,562,535	6,302	16,409	22,711	0.12%
District	173,757,327	112,574	29,543	142,117	0.08%
Totals	\$ 376,792,297	\$ 243,419	\$ 339,711	\$ 583,130	0.15%

DISTRICT AUDITS

Audit of Inventories as of June 30, 2010 (December 2010)

Department/Unit	Perpetual Inventory	Adjustment to Perpetual	General Ledger 6/30/09
Textbook Support Services (1)	\$ -	\$ 8,550,963	\$ 8,550,963
Food and Nutrition	2,082,686	-	2,082,686
Stores and Mail Distribution (2)	2,640,467	173,820	2,814,287
Maintenance Materials Management (3)	2,217,321	23,365	2,240,686
Transportation (4)	1,133,935	113	1,134,048
Total Inventory	\$ 8,074,409	\$ 8,748,261	\$ 16,822,670

- We examined the inventory balances as reported in the Annual Financial Report for the fiscal year ended June 30, 2010 for Textbook Support Services, the Department of Food and Nutrition, Stores and Mail Distribution, Maintenance Materials Management, and the Department of Transportation.

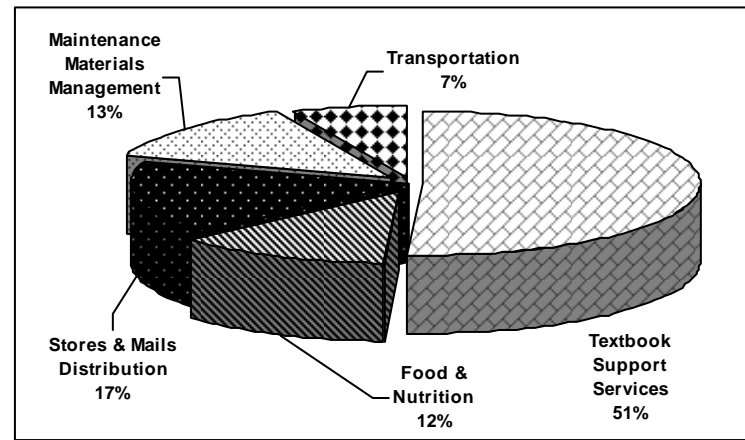
(1) No perpetual inventory system is maintained for textbooks.

(2) Adjustments consisted of a net of \$44,050 from activity after the cut-off date and a net of \$129,770 in department count adjustments, including a data entry error of \$133,125 and (\$3,355) in inventory quantity differences.

(3) Adjustments consisted of \$23,174 in inventory received after the cut-off date and \$191 in department count adjustments.

(4) Adjustment to perpetual was immaterial; however, general ledger balance included adjustments totaling \$108,000 that were needed to agree to the perpetual inventory records.

- Year-end inventories increased 15% from \$14.7 million at June 30, 2009 to \$16.8 million at June 30, 2010.
- In our opinion, the inventories were fairly stated in the Annual Financial Report. However, Transportation continued to experience unexplained variances between the inventory recorded in the perpetual inventory system and the general ledger for the fifth consecutive year.



DISTRICT AUDITS (CONTINUED)

Audit of the Miami Parking Authority and M-DCPS Parking Lease Revenue Sharing Agreement (September 2010)

We audited the parking receipts reported and submitted by the Miami Parking Authority (MPA) to the School Board for the MPA's use of certain parking facilities owned by the Board, pursuant to the September 25, 2006 Parking Agreement between the School Board and the MPA. The audit found that the parking receipts reported and submitted by the MPA to the School Board are complete and that the District has received the appropriate amounts of leasing revenues, in all material respects. We also made four recommendations, some of which could increase the parking revenues to the School Board.

Audit of Administrative Offices Network and Information Security Audit – Human Resources (December 2010)

We audited the Office of Human Resources information and network security. Our audit concluded that, while commendable efforts are being made to secure the information handled by the department, improvements can be made in specific areas. A formal written departmental disaster recovery plan for restoration/recovery of legacy data in the case of catastrophic loss was needed. Data back-ups of important source documents and information were kept on-site instead of being sent to a remote location. Environmental conditions and support systems in the HR server room were less than optimal. Other network security issues not disclosed in this report to avoid compromising department data and IT resources were discussed with HR's administration.

Network and Information Security Information Technology Services Infrastructure and Systems Support Area III – Selected Schools Sites (March 2011)

This report covered 21 of the 58 schools that are under the auspices of ITS ISS Area III. Our audit concluded that while general measures for compliance with the Miami-Dade County Public Schools Network Security Standards are in place at the schools serviced in this support area, increasing district-wide standardization efforts, as well as oversight of school-based technology support staff could improve network availability and the security of student, personnel, and business data.

DISTRICT AUDITS (CONTINUED)

Administrative Offices Network and Information Security Audits – School Police (March 2011)

This audit covered information and network security within the Miami-Dade County Schools Police Department and the internal controls in place over these to safeguard these resources. Our audit concluded that, while significant progress in technology and software security has been made since the new Chief of Police took office, closer adherence to the M-DCPS Network Security Standards and proper attention to network and computer maintenance would significantly reduce the potential risk of data loss in the department.

Follow-up Review on Prior Audit Findings and Recommendations – District Facility Leasing Practices (March 2011)

We reviewed the actions taken by management to implement the recommendations included in our prior internal audit report District Facility Leasing Practices, issued on June 26, 2007. Our follow-up review concludes that management fully implemented each of the nine (9) recommendations.

Network and Information Security Information Technology Services Infrastructure and Systems Support Area I – Selected Schools Sites (May 2011)

This report was the second in a series of reports of this nature and covered 20 of the 60 schools that are under the auspices of ITS ISS Area I. Our audit concluded that while general measures for compliance with some standards of the Miami-Dade County Public Schools Network Security Standards were in place at the schools serviced in this support area, there was a need for greater compliance with these standards and other best practices and for district-wide standardization. Such efforts could improve network availability and the security of student, personnel, and business data.

District's Budget Practices (May 2011)

We reviewed the district's budget development, approval, amendment and monitoring processes to determine whether adequate controls were in place, best practices in budgeting and budget management were being followed, the budget was developed in compliance with Florida State Statutes and school board rules, and estimates and assumptions made were reasonable. Overall, our audit found the processes and

DISTRICT AUDITS (CONTINUED)

systems in place over the district's budget development and monitoring function to be generally adequate. All of the Government Finance Officers Association's (GFOA) recognized and recommended budgeting practices were generally followed, in varying degrees, by the Office of Budget Management. In addition, the process was generally compliant with the governing laws and rules, with the exception of one School Board rule. Although the level of Unreserved General Fund balance is less than the 5.5% target level delineated in School Board Rule 6Gx13-3A-1.012, as of June 30, 2010, Unreserved General Fund balance increased exponentially to \$96 million from a low of just \$8 as of June 30, 2008. There are, however, areas where certain processes and documentation could be improved upon that would enhance internal controls.

Network and Information Security Information Technology Services Infrastructure and Systems Support Area V – Selected Schools Sites (June 2011)

This report was the third in a series of reports of this nature and covered 20 of the 74 schools that are under the auspices of ITS ISS Area V. Our audit concluded that while general measures for compliance with some standards of the Miami-Dade County Public Schools Network Security Standards were in place at the schools serviced in this support area, there was a need for greater compliance with these standards and other best practices and for district-wide standardization. Such efforts could improve network availability and the security of student, personnel, and business data.

INVESTIGATIVE AUDITS

- ▶ The Office of Management and Compliance Audits' Investigative Division handles cases of fraud and/or malfeasance discovered by our auditors in the course of their duties, as well as when requests for investigations are made by the Principals or other Administrators. In addition, our Investigative Division assists the investigative unit of the Miami-Dade Schools Police Department when requested.
- ▶ Our Assistant Chief-Investigative Division is responsible for overseeing these cases. In cases involving school audits, he works in collaboration with the Assistant Chief-School Audits Division.
- ▶ This year, this division completed several investigations at district offices and at school sites. School site investigative results were reported in the school audits. A summary of these cases is as follows:

Review of Payroll for 20 Electricians on Alternative Work Schedule Staffed in Facilities Maintenance Operations (September 2010)

Pursuant to a request from School Police's General Investigative Unit, we conducted an investigation and forensic accounting review of payroll for 20 electricians staffed in Facilities Maintenance Operations. It was determined that these employees had improperly left their work sites substantially early while claiming a full day on their timesheets. Each of the 20 employees was suspended without pay for eight days (80 hours) and required to pay the District restitution equal to two days (20 hours).

Investigation And Forensic Accounting Review Of A Billing Scheme To Defraud The School Board Of Miami-Dade County (February 2011)– This report detailed our investigation and review performed at the request of the Superintendent and the FBI. Our investigation uncovered that an employee of a vendor colluded with an employee of M-DCPS to inflate invoices and defraud the school system. The total amount defrauded to M-DCPS was \$198,307. The District's employee resigned. The United States District Court, Southern District of Florida sentenced our former employee to 21 months in federal prison and three years of probation. Part of the sentencing included restitution of the full amount to M-DCPS.

INVESTIGATIVE AUDITS (CONTINUED)

Maintenance Department (March 2011)- We are conducting an investigation of an M-DCPS vendor related to a possible misappropriation of approximately \$62,000. We directed our accounts payable department to dispute credit card charges with the bank that were within the allowable time-frame and M-DCPS was reimbursed approximately \$26,000. Subsequently, we interviewed the vendor who agreed in writing to further reimburse M-DCPS \$36,000. At the present time, our legal department is drafting an agreement with the vendor to reimburse us the \$36,000. We are continuing the investigation because an employee of M-DCPS signed several invoices acknowledging receipt of goods, which appear not to have been received.

Investigation and Forensic Accounting Analysis of Fraudulent Health Insurance Billing Scheme (June 2011)- The Office of Management and Compliance Audits (OMCA) contributed substantially in an investigation of an alleged health insurance billing scheme culminating in the arrest of three individuals, two of whom are/were employed by Miami-Dade County Public Schools (M-DCPS). OMCA worked with various other agencies, including the State Attorney's Office and Miami-Dade School's Police in providing investigative and forensic accounting services. OMCA staff persuaded a key employee with knowledge of the alleged offenses to cooperate in providing information to the authorities and served as a liaison between that individual and School Police. In conjunction with Cigna Healthcare, OMCA identified billings of bogus medical procedures and prescriptions approximating \$1 million that was illegally charged to M-DCPS. The investigation is ongoing and more arrests are likely.

School Sites:

Air Base Elementary-The former Food Service Manager inappropriately withheld several cafeteria deposits. During the investigation, she admitted to taking the cash from the deposits for personal use and later replacing it. Miami-Dade County Public Schools has terminated her employment.

Dr. Edward L. Whigham Elementary- Under the tenure of the former Principal, six cafeteria deposit bags dated between December 2009 and February 2010 were stolen from the Principal's office. We could not establish the identity of the individual(s) responsible for the misappropriation since safeguards over the storing of these deposits were lax. We also verified an allegation that the former SPED teacher was

INVESTIGATIVE AUDITS (CONTINUED)

not actively participating in the classrooms and not providing services to SPED students as required by their Individual Education Plan.

Miami Park Elementary—The current Principal reported an incident involving Book Fair sales. Our audit/investigation corroborated that the current Media Specialist failed to follow money handling procedures as she admitted to having conducted Book Fair sales on behalf of the school's PTSA. She paid the vendor but attempted to conceal that payment was made after the current Principal requested proof of payment. This case was referred to the Office of Professional Standards for further disposition.

Charles R. Drew Middle—Official bank records for the 2009-10 fiscal year up to October 2010 disclosed that the former Treasurer altered checking account bank statements, deposit records and improperly disposed of ancillary internal funds records to conceal that she had misappropriated school funds for personal purposes. She admitted to having misappropriated \$2,980 in cash and to destroying checks issued to the school totaling approximately \$1,200. Consequently, she was arrested and her case was referred to the State Attorney's Office for prosecution.

CIVILIAN INVESTIGATIVE UNIT (CIU)

Mission

- ▶ To ensure equitable, effective, and efficient processing of complaints made against school personnel.
- ▶ To provide due process to all personnel subject to investigations regardless of gender, race, or ethnicity.
- ▶ To maintain the integrity and quality of personnel investigations in the District.

Duties

- ▶ Investigate ***all serious non-criminal complaints*** made against Miami-Dade County Public School personnel relating to School Board Rules violations that could result in disciplinary action.
- ▶ Maintain the confidentiality of all investigations and records under the provisions of applicable state laws and School Board rules.

Nature Of Work

- ▶ Complaints that may be referred to CIU include but are not limited to: violations of the Code of Ethics, professional duties and responsibilities, inappropriate employee-student relationships, violence in the workplace (non-criminal), corporal punishment (non-criminal), and unacceptable use of the internet. CIU does not investigate allegations of violation of civil rights.

Personnel Investigative Model (PIM)

- ▶ The model for conducting investigations of allegations made against employees of M-DCPS. This model, approved by the School Board of Miami-Dade County on November 17, 2004, includes time-sensitive parameters for processing and completing cases. Revisions to the model were approved by the School Board at its May 12, 2010 meeting to increase its effectiveness and streamline its processes. CIU staff has completed all cases this year—refer to next table).

CIVILIAN INVESTIGATIVE UNIT (CIU) (CONTINUED)

- ▶ Listed below is the information pertaining to cases located within CIU that were closed in 2010-2011.
- ▶ Two investigators processed a total of 150 cases during the year. No cases were left pending at the closing of the 2010-2011 fiscal year.
- ▶ Of the 150 cases reviewed, one case was re-assigned to the General Investigative Unit (GIU) since we determined it was criminal in nature. None was returned to the administrator that originated the complaint for administrative review.

	Totals	Probable Cause	No Probable Cause	Unfounded	Supplement-no changes	Withdrawn	Reassigned to AR*	Reassigned to GIU
Prior Year Cases Closed in 2010-11FY	10	1	9	0	0	0	0	0
Cases Opened and Closed in 2010-11FY	140	70	58	4	7	0	0	1
Cases Pending at Year End	0	0	0	0	0	0	0	0
Totals	150	71	67	4	7	0	0	1

AR-Administrative Review—The case does not merit investigation by CIU and is returned to the administrator that originated the claim for his/her disposition.

CIVILIAN INVESTIGATIVE UNIT (CIU) (CONTINUED)

Case Terminology

- ▶ **Probable Cause** – It is more likely than not that the alleged incident occurred.
- ▶ **No Probable Cause** – The absence of probable cause.
- ▶ **Unfounded** – A baseless, unsupported accusation, not based on fact or sound evidence.
- ▶ **Supplement**—following consideration of the written exception, if filed, OPS will request a *supplemental investigative report*, if appropriate. In instances where additional information is provided, via a supplemental investigative report, OPS will review the information and render a final determination.
- ▶ **Withdrawn** – Complainant recanted or refused to cooperate and withdrew complaint; or employee retired/resigned and no further action deemed necessary.

EXTERNAL AUDITS

The following audits of the School Board performed by external auditors are:

Audit	Audit Firm
Operational Audit of the Miami-Dade County District School Board for the Fiscal Year Ended June 30, 2010	State of Florida Auditor General
KPMG – Miami-Dade County Public Schools-SAP Configurable Financial Controls Assessment	KPMG LLP
KPMG – Miami-Dade County Public Schools-Payroll Parallel Testing Strategy Assessment	KPMG LLP
M-DCPS – SAP Security and User Access Assessment	KPMG LLP
Miami-Dade County Public Schools – ACH Transfer Process Assessment Findings and Recommendation Report	KPMG LLP

EXTERNAL AUDITS (CONTINUED)

Financial Audits

The following financial audits of the School Board and its component units were conducted by independent certified public accounting firms. This year, the State of Florida Auditor General agreed to conduct the financial and Single Audits of the District at no charge:

Audit	Audit Firm
Audit of the Dade Schools Athletic Foundation, Inc. for FYE June 30, 2010	Sharpton, Brunson & Co., P. A.
Audit of the Magnet Education Choice Association, Inc. (MECA) for FYE June 30, 2010	Sharpton, Brunson & Co., P. A.
Audit of the Miami-Dade Coalition Community Education, Inc. for FYE June 30, 2010	Sharpton, Brunson & Co., P. A.
Audit of WLRN Television and Radio Station for FYE June 30, 2010	Sharpton, Brunson & Co., P. A.
Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2010	KPMG LLP
Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2010	State of Florida Auditor General
Single Audit Report FYE June 30, 2010	State of Florida Auditor General

EXTERNAL AUDITS (CONTINUED)

Charter Schools

Charter schools are required to submit independently audited financial statements each year. Our office reviews and presents these audit reports to the Audit and Budget Advisory Committee for discussion and forwards them to the School Board. There are 92 schools up from 82 in the previous year. Numerous schools opened and several closed. Several changed accounting firms. The following audits were presented during the 2010-2011 fiscal year:

Charter School	Audit Firm
Academy of Arts and Minds	Jordan, Castellon, Ricardo P.L.
Advanced Learning Charter School	Perez-Abreu, P.L.
Archimedian Academy	Keefe, McCullough & Co, LLP
Archimedian Middle Conservatory	Keefe, McCullough & Co, LLP
Arcimedean Upper Conservatory	Keefe, McCullough & Co, LLP
Aspira North Youth Leadership	Alberni, Caballero & Castellanos, LLP
Aspira South Youth Leadership	Alberni, Caballero & Castellanos, LLP
Aventura City of Excellence	McGladrey & Pullen, LLP
Balere Language Academy	King & Walker, CPAs, PL
City of Hialeah Education Academy	Alberni, Caballero & Castellanos, LLP
Coral Reef Montessori Academy	Verdeja & De Armas, LLP
Doctors Charter School of Miami Shores	Gravier & Assoc, CPA
Doral Academy	Gravier & Assoc, CPA

Charter School	Audit Firm
Doral Academy Charter Middle	Gravier & Assoc, CPA
Doral Academy High	Gravier & Assoc, CPA
Doral Performing Arts & Entertainment Academy	Gravier & Assoc, CPA
Downtown Miami	GLSC & Company, PLLC
Early Beginnings – Civic Center	Thomas J. Sims, PA
Excelsior Charter Academy K-8	Verdeja & De Armas, LLP
Excelsior Language Academy of Hialeah	Verdeja & De Armas, LLP
Florida International Academy	Keefe, McCullough & Co, LLP
Florida School for Integrated Academics and Technologies Miami-Dade (SIATECH)	James Moore & Co, PL
Theodore R. and Thelma Gibson Charter	Gravier & Assoc, CPA
Eugenio Maria de Hostos	Alberni, Caballero & Castellanos, LLP
Integrated Science and Asian Culture Academy K-8	Gravier & Assoc, CPA
International Studies Charter High	Gravier & Assoc, CPA
International Studies Charter Middle	Gravier & Assoc, CPA
Keys Gate	Keefe, McCullough & Co, LLP
Lawrence Academy	James Accounting & Tax Practice, PA
Lawrence Academy Senior High	James Accounting & Tax Practice, PA
Lawrence Academy Middle	James Accounting & Tax Practice, PA

Charter School	Audit Firm
Life Skills Center Miami-Dade County	BKHM, CPA
Like Skills Center Opa-Locka	BKHM, CPA
Lincoln-Marti Charter School Hialeah Campus	GLSC & Company, PLLC
Lincoln-Marti Charter School Little Havana Campus	GLSC & Company, PLLC
Mater Academy	Gravier & Assoc, CPA
Mater Academy Charter Middle	Gravier & Assoc, CPA
Mater Academy High	Gravier & Assoc, CPA
Mater Academy Lakes Middle	Gravier & Assoc, CPA
Mater Academy Lakes High	Gravier & Assoc, CPA
Mater East Charter School	Ocariz, Gitlin & Zomerfeld, LLP
Mater East Academy High School	Ocariz, Gitlin & Zomerfeld, LLP
Mater East Academy Middle School	Gravier & Assoc, CPA
Mater Academy East Charter High	Gravier & Assoc, CPA
Mater Gardens Academy	Gravier & Assoc, CPA
Mater Gardens Academy Middle	Gravier & Assoc, CPA
Mater Academy High School of International Studies	Ocariz, Gitlin & Zomerfeld, LLP
Mater Academy Middle School of International Studies	Ocariz, Gitlin & Zomerfeld, LLP
Mater Performing Arts & Entertainment Academy	Gravier & Assoc, CPA
Miami Arts Charter	BKHM, CPA

Charter School	Audit Firm
Miami Children's Museum Charter School	Gravier & Assoc, CPA
Miami Community Charter	King & Walker, CPAs, PL
Miami Community Charter Middle	King & Walker, CPAs, PL
Miami Community Senior High Charter	King & Walker, CPAs, PL
New Education Alternatives North	Keefe, McCullough & Co, LLP
New Education Alternatives South	Keefe, McCullough & Co, LLP
Oxford Academy	Kabat, Schertzer, De La Torre, Taraboulos & Co.
Pinecrest Academy (South Campus)	Gravier & Assoc, CPA
Pinecrest Academy Charter Middle	Gravier & Assoc, CPA
Pinecrest Preparatory Academy	Gravier & Assoc, CPA
Pinecrest Preparatory Charter High	Gravier & Assoc, CPA
Renaissance Elementary	Keefe, McCullough & Co, LLP
Renaissance Middle Charter School	Keefe, McCullough & Co, LLP
Richard Allen Leadership Academy	SL Gardner and Co., PA
River Cities Community Charter School	Verdeja & De Armas, LLP
Somerset Academy Elementary	Gravier & Assoc, CPA
Somerset Academy Elementary (South Homestead)	Gravier & Assoc, CPA
Somerset Academy Elementary (South Miami)	Gravier & Assoc, CPA
Somerset Academy Charter Middle	Gravier & Assoc, CPA
Somerset Academy Charter High	Gravier & Assoc, CPA

Charter School	Audit Firm
Somerset Academy Charter High (South)	Gravier & Assoc
Somerset Academy Middle Country Palms	Gravier & Assoc
Somerset Academy Middle (South Homestead)	Gravier & Assoc
Somerset Academy Middle (South Miami)	Gravier & Assoc
Somerset Arts Academy	Gravier & Assoc
Somerset Silver Palms K-8 Center	Gravier & Assoc, CPA
South Florida Autism Charter School	King & Walker, CPAs, PL
Summerville Advantage Academy	King & Walker, CPAs, PL
Sandor Weiner School of Opportunity-North	Keefe, McCullough & Co, LLP
Sandor Weiner School of Opportunity-South	Keefe, McCullough & Co, LLP
The Charter School at Waterstone	King & Walker, CPAs, PL
Youth Co-Op	GLSC & Company, PLLC

Of the 92, 4 were pending presentation as of June 30 because of questions regarding their financials. They are marked with an asterisk in the table that follows.

Life Skills Center Miami-Dade County*	BKHM, CPA
Like Skills Center Opa-Locka*	BKHM, CPA
Renaissance Elementary*	Keefe, McCullough & Co, LLP
Renaissance Middle Charter School*	Keefe, McCullough & Co, LLP

* Pending presentation because of questions by the ABAC at the June 30, 2011 meeting, regarding financial statements.

Community-Based Organizations (CBOs)

Providers of alternative education services are required to submit audited financial statements each year. Our office reviews and presents these audit reports to the Audit and Budget Advisory Committee for discussion and forwards them to the School Board. The following audits were received during the 2010-2011 fiscal year:

Community-Based Organizations	Audit Firm
AMIkids Miami-Dade, Inc.	Cross, Fernandez & Riley, LLP
Cuban American National Council, Inc.	GLSC & Company, PLLC
Richmond-Perrine Optimist Club, Inc.	Nzeribe & Co., PA

REPORTS ISSUED BY OTHER ENTITIES:

Audit	Audit Firm
Annual Report for the M-DCPS OIG Office Fiscal Year 2009-2010	Office of the Inspector General
OIG Final Report Re: Manipulation of the McKay Scholarship Program Process by M-DCPS Employees	Office of the Inspector General
OIG Final Report Re: Procurement Violations Committed by the District 5 Office of School Board Member Renier Diaz de la Portilla, Ref. IG09-47SB	Office of the Inspector General

NON-AUDIT SERVICES AND ACTIVITIES

District Liaison To

Money Matters Support Program

- ▶ Our office continues to actively participate in the Money Matters Support Program that School Operations offers to Principals. This program focuses on improved accountability and the implementation of best business practices at the school sites. During the various sessions offered this year, the Assistant Chief Auditor for the School Audits Division and other audit staff members presented and discussed topics related to school audits.

Title I Audit Presentations To Principals

- ▶ At the beginning of the fiscal year, the Assistant Chief Auditor for the School Audits Division participated as presenter during the Title I Administration training sessions offered to principals of Title I schools. Topics discussed related to the Title I audits conducted at the schools.

Participation With Outside Agencies

- ▶ **As liaison for M-DCPS with the State of Florida's Auditor General, our office coordinated responses to the audit findings/recommendations of the FY 2009-10 M-DCPS' Operational and Single audits, as well as with KPMG for the various external reviews conducted during the fiscal year. We are also the District liaison for the presentation of the financial statements of charter schools, CBOs and any other external auditing entity.**

Staff Participation In Various Committees

- ▶ Pursuant to Board Policy, internal audit staff has been actively participating as non-voting members.

NON-AUDIT SERVICES AND ACTIVITIES (CONTINUED)

The Ethics Advisory Committee

- ▶ The Ethics Advisory Committee (EAC) was created in 2002 by the School Board to restore the public confidence in our public schools and educate all stakeholders as to the required standards of ethical conduct. The Committee is composed of seven (7) independent volunteer members.
- ▶ The School Board has adopted enhancements to ethics rules recommended by the EAC, resulting in corrective actions to restore the public trust.
- ▶ The Chief Auditor serves as the official liaison to the EAC, charged with facilitating all administrative tasks needed to support the Committee as it strives to discharge its responsibilities.
- ▶ Accordingly, staff from the Office of Management and Compliance Audits prepares the agendas and minutes for the EAC meetings, assist with research, correspondence, and preparation of the annual report; and coordinate presentations by appropriate District staff when their support is required.
- ▶ One major accomplishment this year was the Board's approval of the formal Board Policy for the establishment of the EAC.

Staff Development

- ▶ During the summer of 2010, audit staff participated in a 1 ½ day seminar related to the new SAP Human Resources (HR) Module.
- ▶ As of December 2010, the FTE Audits Division attended a workshop on ESOL Compliance Informational Session coordinated by the Division of Bilingual Education and World Languages.
- ▶ Throughout the year, audit staff received continuing professional education on topics related to governmental auditing and other accounting issues.
- ▶ These informative training sessions qualify for continuing professional education required under the *Government Auditing Standards*.

Training Conducted by Civilian Investigative Unit

- ▶ The Civilian Investigative Unit and Office of Civil Rights Compliance cooperatively trained approximately 600 District employees during various training sessions throughout the year. The information disseminated is based on non-criminal investigative case scenarios. During these sessions, employees are informed of best practices and how to prevent a situation that could lead to an employee investigation for violations of Civil Rights, School Board rules, Code of Ethics and Responsibilities and Duties.

Staffing Issues

- ▶ The reduction in force in the District and the strict District-wide hiring freeze affected our office, by the reduction of four audit positions in the District Audits Division that have not been filled.

FY 2011-2012 Annual Audit Plan and Adopted Budget



Office of Management and Compliance Audits



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Perla Tabaes Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Carlos L. Curbelo
Renier Diaz de la Portilla
Dr. Wilbert "Tee" Holloway
Dr. Martin S. Karp
Dr. Marta Pérez
Raquel a. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

Mr. Jose F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

Contributors to this Report:

Ms. Maria T. Gonzalez, CPA
Assistant Chief Auditor, School Audits

Mr. Trevor L. Williams, CPA
Assistant Chief Auditor, Operational and Performance Audits

Mr. Julio C. Miranda, CPA, CFE
Assistant Chief Auditor, Investigations

Staff from the Office of Management and Compliance Audits

MIAMI-DADE COUNTY PUBLIC SCHOOLS
OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools
Alberto M. Carvalho

Miami-Dade County School Board
Perla Tabares Hantman, Chair
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Dr. Martin Karp
Dr. Marta Pérez
Raquel A. Regalado

October 18, 2011

Members of The School Board of Miami-Dade County, Florida
Members of The School Board Audit and Budget Advisory Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

The audit plan for fiscal year 2011-2012 was developed by supervisory personnel from the Office of Management and Compliance Audits applying a systematic risk assessment that assist us in deciding the audits that should be conducted this coming year.

This year, school audits will again follow a plan whereby schools with a change of principal since the previous audit and schools with high audit risk will be given top priority. District-wide audits will encompass a wider spectrum of areas such as: grants, credit card purchases, internal control over cafeteria receipts and IT controls and security, among others. We will also conduct follow-ups to the FY 2009-10 Auditor General's Operational and Single Audit reports and our previously published reports, as deemed appropriate.

Although the primary responsibility for the audit plan rests with the Chief Auditor and the Office of Management and Compliance Audits, we encourage and welcome input from the School Board and Audit and Budget Advisory Committee members, the Superintendent, and senior management staff, to make this plan complete and successful. At its June 28, 2011, the Audit and Budget Advisory Committee members unanimously recommended an audit of the School Board Member's office expenditures. The School Board at its Innovation, Efficiency and Governmental Relations Committee meeting of October 17, 2011, recommended an audit of its members' office expenditures, along with expenditures from the offices of the Superintendent, School Board Attorney and Chief Auditor be conducted by the external independent audit firm of McGladrey & Pullen, LLP, currently conducting the financial audit for Miami-Dade County Public Schools, at no additional cost to the District.

Respectfully yours,

Jose F. Montes de Oca, CPA, Chief Auditor

Planning Process

Based on:

- **Budget Analysis**
- **Risk Based:**
 - **Materiality**
 - **Past Audit Coverage**
 - **Audit Risk**
- **Input from:**
 - **School Board**
 - **Audit and Budget Advisory Committee**
 - **Superintendent of Schools**
 - **Senior Management**



STEPS:

1. PROGRAMMATIC BUDGET ANALYSIS
2. PROGRAMMATIC RISK ASSESSMENT
3. MANAGEMENT INPUT FOR AUDIT PLAN
4. DEVELOP AUDIT PLAN
5. AUDIT PLAN APPROVAL

School Audits Division

Universe Comprised Of 363 Schools And Centers

- Financial statements of internal funds;
- Payroll;
- Purchasing Credit Card Program;
- Federal Funds/Title I;
- Florida Education Finance Program/FTE;
- Selected aspects of School Site IT and School Site;
Cafeteria Management; and
- Property Audits.

School Audits Division

Changes To Audit Coverage To Maximize Resource Allocation:

- Internal Funds to be audited at **70-80%** of schools
 - Audit priority to schools with change of Principal, schools with prior year's audit exceptions and 2-year audits
 - Selection based on audit risk
 - Selected group of low-risk schools to be audited every two years
- Payroll, Credit Card, Title I FEFP audits, selected aspects of school site IT and cafeteria management to be conducted at selected schools
 - A projected decrease in FTE audit volume to be expected this coming year since FTE audit staff will be assisting as audit liaison for the State of Florida's AG in the ongoing FEFP Audit of MDCPS
- Property Audits at schools following audit plan.

District Audits Division

Internal Audits

➤ Areas of Audit Coverage

- Various district support functions including:
 - ✓ Financial operations
 - ✓ Facilities operations
 - ✓ Grants management
 - ✓ Food service operations
- Various prior audit recommendation follow-up reviews

District Audits Division

Eight Internal Audits

- Pre-Construction Services (In progress)
- Food & Nutrition Cafeteria Receipts (In progress)
- Grants Management and Controls (In progress)
- Miami Partnership In Action Community Task Force (MPACT) Grant (Fieldwork completed; report finalization and distribution pending the closure of investigations by other investigative agencies)
- Maintenance Dept. Procurement Process (In progress)
- Energy Management (Carryover from FY 2010-11)
- Audit of Procurement Credit Card Controls (New)
- Audit of Inventories as of June 30, 2011 (New)

Three IT Audits

- School Site Network & Information Security (Ongoing)
- District Offices Network & Information Security (Ongoing)
- ERP/SAP – User Survey (New)

District Audits Division

Pre-Construction Services

- In January 2009, the OMCA published an internal audit report on construction claims, allowances, and contingencies, which reported the District's average change order rate to be 7% of the final project costs, with \$5.7 million in change order and contingency adjustments for M-DCPS projects. Of that amount, \$862,000 was believed to have been preventable through pre-construction discovery.
- We are in the process of reviewing the pre-construction services provided to the District by contracted firms to determine their compliance with contract deliverables and expectations.

District Audits Division

Food & Nutrition Cafeteria Receipts

- Receipts for meals served in M-DCPS cafeterias are accounted for centrally. The annual cafeteria receipts average approximately \$30 million, and the FY 2010-11 YTD receipts through May 2011 are approximately \$32 million.
- We are in the process of evaluating internal controls over the cash receipts, deposits, and reconciliation processes to ensure that controls are adequate and the necessary safeguards are in place.

District Audits Division

Grants Management and Controls

- M-DCPS currently manages more than 190 non-Title I grants totaling \$597 million. These grants are funded by various federal, state, and local agencies, and private entities.
- We are in the process of reviewing the internal controls over the District's grants management function to determine whether adequate safeguards are in place and make recommendations, if warranted, to ensure they are established.

District Audits Division

Miami Partnership In Action Community Task Force (MPACT) Grant

- The district received approximately \$4 million in grant funds from the Department of Labor to fund a youth gang and crime prevention program managed by School/District Operations. The program utilized on-the-job training and classroom instructions to MDCPS students and other at-risk youths in the community to achieve its stated goals.
- Our audit objectives are to determine the propriety of the related granted funds and to ensure that adequate internal controls were in place over the management and use of said funds. We have completed our audit fieldwork and the draft report. However, the finalization and issuance of said

Miami Partnership In Action Community Task Force (MPACT) Grant (Continued)

report is pending until the completion of investigations of the program which are being conducted by M-DCPS' Police Department, the Department of Labor and the Office of the Inspector General

District Audits Division

Maintenance Department Procurement Process

- To maintain and repair MDCPS' facilities, Maintenance Operations uses various vendor service contracts to procure goods and services. The awarded contract value of these service contracts is reported to be over \$80 million.
- Our objective is to review the design of the contracting process, assess the level of internal controls in place, and recommend areas for improvement, if needed.

District Audits Division

Energy Management

- The District Inspections, Operations and Emergency Management (DIOEM) Department is responsible for monitoring and programming the District's energy management system. Energy services costs for FY 2011-12 are projected at \$90 million. DIOEM also manages approximately \$4 million in long-term contracts for systems performance monitoring and verification and equipment maintenance and services.
- The audit will focus on identifying efficiencies and cost savings opportunities that may be achieved by having good systems in place, as well as establishing energy conservation programs at schools and district offices.

District Audits Division

Audit of Procurement Credit Card Controls

- The District procures a substantial amount of goods and services using P-cards. During FY 2010-11, P-card transactions executed with more than 500 cards maintained totaled \$13 million.
- Our audit objective will be to evaluate the effectiveness of the internal controls in place over P-cards and the propriety of related expenditures.

District Audits Division

IT Audits

School Site Network & Information Security

- A substantial number of the district's functions uses applied technology, including the web. IT audit and oversight is needed to provide reasonable assurance that leading practices and controls are embedded in the system and they are performing as designed, and that schools are in compliance with M-DCPS' Network Security Standards.
- Working through the six ITS Network Support groups, we will determine whether adequate internal controls and leading practices are in place at a selection of individual schools to ensure network security and adherence with current District Network Security Standards.

District Audits Division

District Offices Network & Information Security

- District departments process and store vast amounts of data, including student, personnel, business, and accounting records. These data may come under attacks from internal and external threats.
- Our objective will focus on providing reasonable assurance that the risk of unauthorized access, modification, disclosure, loss, theft, disposal, or removal of data is minimized. We will also assess the level of technological support provided by ITS, and adherence to current District Network Security Standards.

District Audits Division

ERP/SAP – User Survey

- The District has implemented SAP America Public Sector, Inc. (SAP) enterprise resource planning (ERP) software to support various administrative functions. Due to its recent implementation dates, staff's use of the system is still maturing and provides a good opportunity to obtain valuable feedback from users.
- The audit objective will be to assess the functionality of SAP in terms of user comfort and its usefulness in streamlining the work process. We will seek to identify areas for improvement in training and communication between the user and the ERP/SAP implementation team.

District Audits Division (Long Range)

Two Long Range Audits

- Audit of Capital Construction Direct Purchases
- Audit of Information Technology Security Controls

District Audits Division (Long Range)

Audit of Capital Construction Direct Purchases

- The School District's Proposed Five-Year Capital Plan has identified almost \$603 million of estimated facilities needs. The costs of materials used in the underlying project could range between 40-50% of the facilities costs, and are normally subject to 7% sales tax unless purchased directly by the District.
- We will sample new construction and renovation projects and evaluate the propriety of the amount of direct purchases received and the internal controls over managing these purchases.

District Audits Division (Long Range)

ITS - Information Technology Security Controls

- The District relies extensively on information technology (IT) systems and electronic data to support its programs. Accordingly, the security of these systems and data is essential to avoiding disruptions in critical operations, data tampering, and inappropriate disclosure of sensitive information.
- Our objective will be to evaluate and report on general IT controls, including: Security Management, Access Controls, Configuration Management, Separation of Duties, and Contingency Planning.

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Forensic/Investigative Audits/Charter Schools Audits Division

Perform Forensic Audits In The Following Areas:

- Misappropriation of Funds
- Missing Inventory/Equipment
- Payroll Fraud and Other Fraudulent Activity
- Charter School Misfeasance/Malfeasance
- Attestation services or similar audit services related to charter schools as requested by the School Board and/or Audit and Budget Advisory Committee

Oversee Investigations Conducted By:

- Civilian Investigative Units – CIU

Support And Collaborate With:

- Miami-Dade School Police
- Office of Professional Standards – OPS
- State Attorney's Office
- Inspector General – IG
- Other Law Enforcement Agencies
- District Offices

Forensic/Investigative Audits/Charter Schools Audits Division

Investigation of *Academy of Arts & Minds* Charter School

- Request for investigation from District/School Operations received by our office in May 2011
- Basis for request is written complaint from parents of students attending charter school
- Our office plans to conduct the requested investigation and bring the results to the Audit and Budget Advisory Committee for transmittal to the School Board.

Forensic/Investigative Audits/Charter Schools Audits Division

➤ Attestation-Agreed Upon Procedures

- At its March 9, 2011 meeting, the School Board approved Agenda Item H-27 which directed our office to review a charter school cost analysis report prepared by M-DCPS administration.
- The attestation-agreed upon procedures will provide a level of assurance as to the accuracy of the costs being reported by the administration.
- We plan to present our agreed upon procedures report at the September 27, 2011, Audit and Budget Advisory Committee meeting.

Property Audits

Property Inventories

- Perform physical inventory counts of all property with a cost of \$1,000 or more at approximately **400 work locations. Results of school property audits are reported as part of school audits.**
- During FY 2010-11, our Property Auditors accounted for **approximately 95,000 items with an approximate cost of \$378 million.**

Audit of Year-End Inventories

In support of the District's financial audit, year-end physical inventories are observed and inventory controls are tested at:

- Food and Nutrition
- Transportation
- Maintenance Materials Management
- Stores and Mail Distribution
- Textbook Inventory Services

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT STAFFING

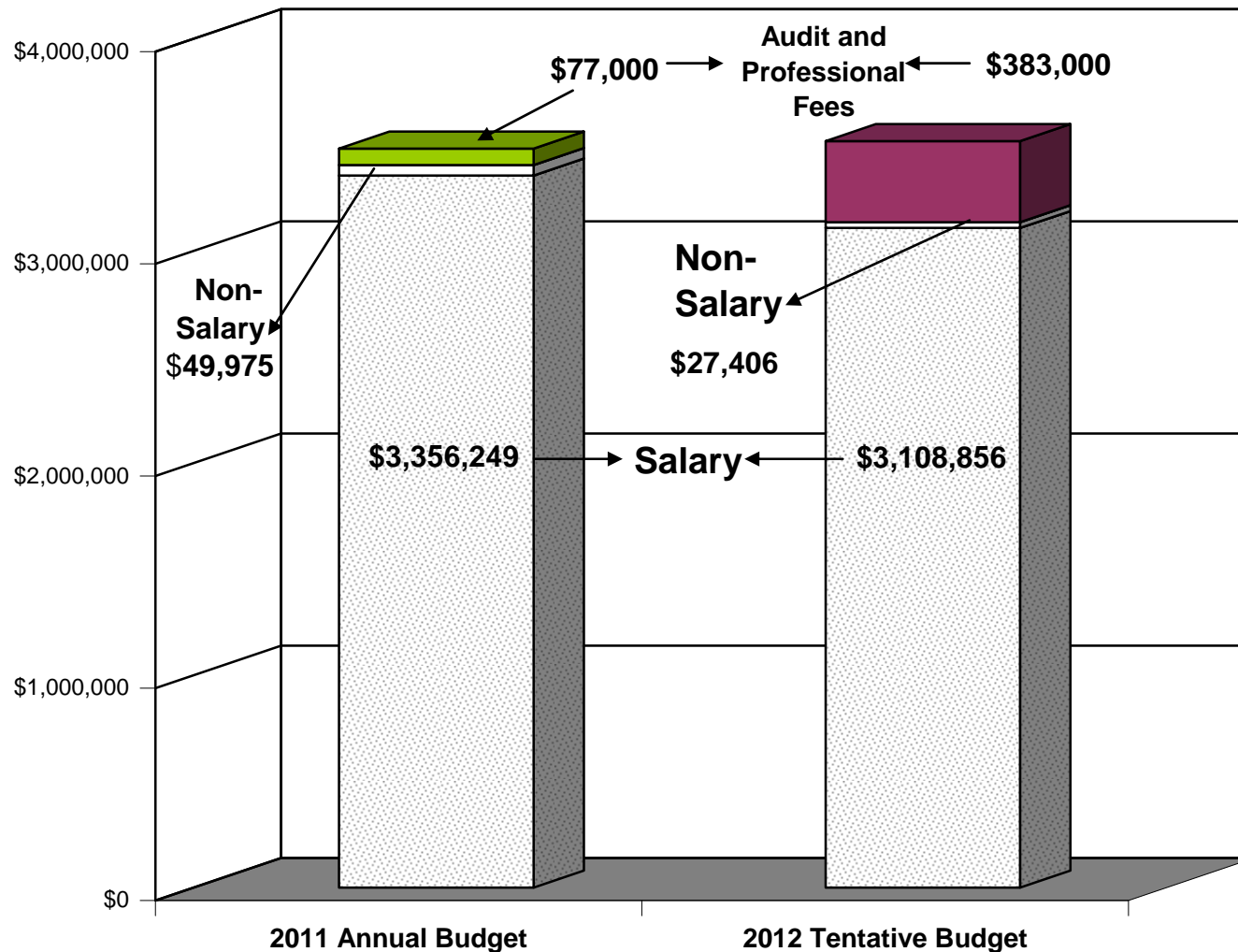
Resource Allocation	2011	2012	Δ	Comments
Chief Auditor & Administrative Support Staff	4	4	No Change	
School Audits Division	15	15*	See comments	One staff member returned from medical leave in April 2011. One position reassigned to Non-School Audits.
Non-School - Operational & Performance Audits Division	5**	4	See comments	One position eliminated as a result of the District's reduction in force during the year. One position reassigned from School Audits to this division.
Information Technology Division	2	1	-50%	One position eliminated as a result of the District's reduction in force toward the end of this year.
Property Audits Division	5	5	See comments	No change; however, one staff member on medical leave.
Audit Investigative Division	3	3	No Change	
Civilian Investigative Unit	3	3	No Change	
Totals	37	36	-3%	

Notes:

* Two positions fully dedicated to FTE audits and one position dedicated to Title I audits.

**2010 staffing level shown is the final budget adopted in September 2010 and does not reflect the loss of three positions between June and September 2010. This attrition impacted the number of audits completed in FY 2010-11 and could have a similar effect in FY 2011-12.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT COMPARATIVE BUDGET



During FY 2010-11 the Florida Auditor General performed the District's financial statement and single audits at no cost to the District. During FY 2011-12 these audits will be performed by the external auditing firm of McGladrey & Pullen at a total cost of \$335K. The remainder \$48K will cover the cost of external audits of WLRN, certain direct support organizations and the impact fees to be provided by Sharpton, Brunson & CO., and C Borders-Byrd, CPA LLC, respectively.

In FY 2012, the budget for the KPMG ERP project is in the ERP department, and fund transfers are made to OMCA when payments are due.

Other Non-Audit Services

Community Based Organization Fiscal Review

- During FY 2010-11 the District contracted with three (3) community-based organizations primarily for alternative education. Activities were conducted at five campuses serving up to 670 students at a cost of approximately \$2.8 million. We will review audits submitted by these entities and present them to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.

Charter School Fiscal Review

- During FY 2010-11, the District sponsored over 90 charter schools with student enrollment of approximately 35,000 at an estimated cost in excess of \$260 million. As the sponsoring school district, M-DCPS is statutorily responsible for substantial monitoring and oversight, including fiscal, operational, health/safety, and academic performance. We will review the annual certified audits submitted by these schools and present them to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.
- Facilitate the District's process for addressing charter schools meeting one or more conditions of financial emergency statute.

Other Non-Audit Services

Active Participation On Various Charter School-Related Committees (As Non-voting Members):

- Technical Assistance Team
 - Initial technical review of charter school applications

- Application Review Committee
 - Evaluation of charter school applicants to recommend approval/denial to Superintendent of Schools

- Contract Review Committee
 - Negotiate contract terms of approved charter school applications and amendments to charter school contracts.

Other Non-Audit Services

➤ **Review of External Audit Reports**

- Certified financial statements are provided by other agencies per contract and Board policies.

Coordinate And Provide Contract Oversight Of External Auditors

- District financial statements, Single Audit, Impact Fees, WLRN, Magnet Education Choice Association, Inc., Miami-Dade Coalition for Community Education, Inc., Dade Schools Athletic Foundation, Inc. and The Foundation for New Education Initiatives, Inc. all require audits from external CPAs. We will review these audits and submit them to the Audit and Budget Advisory Committee for its review, input and transmittal to the School Board.

Other Non-Audit Services

Prior Audit Recommendations Follow-Up

- Audit follow-up is a function of the internal audit process and is required by School Board Policy 6835.
- Implementation of prior audit recommendations will continue to be monitored and reported to the Audit and Budget Advisory Committee for its review, input and transmittal to the School Board.
- *At the special request of the Audit and Budget Advisory Committee*, our office will conduct follow-up reviews of staff's implementation of the recommendations contained in the State of Florida Auditor General's FY 2009-10 Operational and Federal Single Audits of M-DCPS.

MIAMI-DADE COUNTY PUBLIC SCHOOLS ANTI-DISCRIMINATION POLICY

Federal and State Laws

The School Board of Miami-Dade County, Florida adheres to a policy of nondiscrimination in employment and educational programs/activities and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964 as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

Age Discrimination in Employment Act of 1967 (ADEA) as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963 as amended - prohibits gender discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA) – Prohibits discrimination against employees or applicants because of genetic information.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 205.07 (Florida Statutes), which stipulate categorical preferences for employment.

In Addition:

School Board Policies 1362, 3362, 4362, and 5517 - Prohibit harassment and/or discrimination against students, employees, or applicants on the basis of sex, race, color, ethnic or national origin, religion, marital status, disability, genetic information, age, political beliefs, sexual orientation, gender, gender identification, social and family background, linguistic preference, pregnancy, and any other legally prohibited basis. Retaliation for engaging in a protected activity is also prohibited.

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2011 ANNUAL REPORT



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