

MIAMI-DADE COUNTY PUBLIC SCHOOLS



2012 ANNUAL REPORT



OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Perla Tabares 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. José F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

Contributors to this Report:

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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

Superintendent of Schools
Alberto M. Carvalho

Chief Auditor
José F. Montes de Oca, CPA

Miami-Dade County School Board

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September 6, 2012

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 2012 Annual Report from the Office of Management and Compliance Audits. Pursuant to School Board Policy 6835, "The Chief Auditor will submit to the Audit and Budget Advisory Committee (ABAC), 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." In addition to the Audit Plan for the 2012-2013 fiscal year, this report includes a summary of the auditing activities from the 2011-2012 fiscal year. The Audit Plan was drafted by the Office of Management and Compliance Audits (OMCA) and presented to the ABAC at its June meeting as a proposal. During the summer, we sought input from stakeholders and developed the final plan for School Board approval.

The end of Fiscal Year 2011-2012 marked yet another year of financial challenges for the School District, which resulted in reorganizations of functions and staff and workforce reductions. We at the OMCA also made some sacrifices and incurred personnel losses. Although during the year we added to the Audit Plan an audit and an investigation requested by the administration related to two vendors and the amounts they billed the District for services purportedly provided, we 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 harder, but smarter to capitalize on our limited resources and basically completed the ambitious audit plan we had proposed.* Through this harder and smarter approach of working, we were

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able to discover two major embezzlement cases last year; and with the assistance of the Office of Risk Management recovered from the District's surety bond \$270,000, which would have otherwise been lost. These achievements could not have been realized without the support and untiring efforts of staff from the OMCA; and without the unwavering leadership of the School Board and the ABAC.

During Fiscal Year 2011-2012, our office underwent a Peer Review for the period January 1, 2008 to June 30, 2011, which was conducted by the Association of Local Government Auditors. This prestigious professional association evaluated our office's compliance with the established standards and guidelines – “auditing the auditors” – that auditing departments must follow in order to be recognized as complying with the strict requirements of the profession. We are proud to say that our office received an unqualified opinion regarding our system of internal quality control and compliance with generally accepted government auditing standards by adhering to these demanding standards.

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

Respectfully yours,

A handwritten signature in black ink, appearing to read "José F. Montes de Oca". The signature is written in a cursive style with a large initial "J".

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

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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 and operational activities in the school district.
- ▶ The above task is accomplished through the issuance of various audit reports that are filed as public records 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 issuing various correspondences dealing with fiscal and operational matters.
- ▶ An annual audit plan that governs the activities of the office is prepared, and often 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 Audit and Budget Advisory Committee. Through the internal audit process, our office assists the Superintendent and 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, policies 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 2011-2012 fiscal year, the Chief Auditor and the Office of Management and Compliance Audits reported to the School Board and submitted all reports through 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, by the Chief Auditor, 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, and independent auditors, and other outside audit entities).

ROLE OF THE AUDIT AND BUDGET ADVISORY COMMITTEE

- ▶ The School Board Audit and Budget Advisory Committee advises on 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.
- ▶ It also reviews proposed annual budgets, revenues, expense forecasts assumptions, and budget amendments. In addition, it receives periodic reports and consults with the Chief Financial Officer on the adequacy of the District's budget and tracking system. Finally, it makes recommendations to the Superintendent and the School Board on the quality and reliability of the budget, without opining on policies and programmatic implications.
- ▶ 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 (ABAC)

- ▶ The Office of Management and Compliance Audits is entrusted with the responsibility of providing service and logistical support to the ABAC, including publishing meeting notices, keeping its minutes, establishing the agenda in collaboration with the Chair of the ABAC, 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. Jeffrey B. Shapiro, Esq. | Chair | Law Partner Arnstein & Lehr LLP | Ms. Perla Tabares Hantman, School Board Chair |
| Mr. Roland Sanchez-Medina, Jr., Esq. | Vice-Chair | Law Partner Sanchez-Medina, Gonzalez, et al | Ms. Raquel A. Regalado |
| 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. Rayfield M. McGhee, Jr., Esq. | Voting Member | McGhee & Associates LLP Attorney at Law | Dr. Wilbert T. Holloway |
| Mr. Mayowa F. Odusanya, Esq. | Voting Member | Law Practice Professional Odusanya Law Offices, P.A. | Dr. Dorothy Bendross-Mindingall |
| Mr. Jose I. Rasco, CPA | 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 |
| Mr. Frederick F. Thornburg, Esq. | Voting Member | Former partner in Thornburg, McGill, Deahl, Harmon, Carey and Murray, after leaving the partnership and on merger the firm renamed Barnes and Thornburg; Past Executive Committee member of the Board of Directors of the NYSE Wackenhut Corp. and President of Wackenhut Intl.; current CEO of FFS, LLC and serves on academic, charitable and company boards. | Mr. Renier Diaz de la Portilla |
| Ms. Teri Weinstein (Trivizas) | Voting Member | Sea Coast Inspection Services, Inc. Marine Surveying/Cargo Inspection Company | Dr. Lawrence Feldman Vice-Chair |
| Dr. Richard H. Hinds | Non-Voting Member | Associate Superintendent/Chief Financial Officer | N/A |

ORGANIZATIONAL CHART

The School Board of
Miami Dade County, Florida
Perla Tabares Hantman (Chair)
Dr. Lawrence Feldman (Vice-Chair)

Audit and Budget Advisory Committee
Jeffrey B. Shapiro, Esq. (Chair)
Roland Sanchez-Medina, Esq. (Vice-Chair)

Chief Auditor
Office of Management &
Compliance Audits
José F. Montes de Oca, CPA

Assistant Chief
Auditor
Division of
Investigations
Julio C. Miranda, CPA,
CFE

Assistant Chief
Auditor
Division of School
Audits
Maria T. (Maite)
Gonzalez, CPA

Assistant Chief
Auditor
Division of District
Audits
Trevor L. Williams, CPA

Division of
Investigations
Civilian Investigative
Unit

Charter Schools

School Audits

FTE and Title I Audits

Property Audits

District Audits

Information
Technology
Audits

AUDIT REPORTS PRESENTED 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 six categories:

- ▶ School Audits;
- ▶ Property Audits;
- ▶ District Audits;
- ▶ Investigative Audits;
- ▶ External Audits; and
- ▶ Non-Audit Services and Activities

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.

SCHOOL AUDITS

Section 1011.07, Florida Statutes, and State Board of Education Rule 6A-1.087 *School Board Responsible for Internal Funds*, require school boards to provide for an annual audit of school's 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 schools, we reviewed internal funds and property procedures. At selected schools, we reviewed the following:

- ▶ **Payroll records and procedures at 122 schools (42%).** 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 also included a review of the internal controls over the payroll function at the schools, including the reporting of payroll. In FY 2010-2011, we reviewed payroll at 109 schools.
- ▶ **The Purchasing Credit Card Program (P-Card) at 51 schools (18%).** 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. In FY 2010-2011, we reviewed P-Card procedures at 47 schools.
- ▶ **Data security management report and school site IT security audit assessment at 62 schools (21%).** At these schools, we reviewed data security management reports to ensure that staff access to computer system applications was appropriate. At **14** of the **62** schools, audit staff conducted a more in-depth review of school site IT equipment location and security. In FY 2010-2011, we reviewed IT security at 44 schools, of which 13 schools received a more thorough review.
- ▶ **Title I Program audits were selectively conducted at 14 schools (5%).** 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 to ensure that appropriate evidence sources document compliance, the Office of Management and Compliance Audits incorporated the audit of this program into the school audits. In FY 2010-2011, we conducted Title I audits at 13 schools.

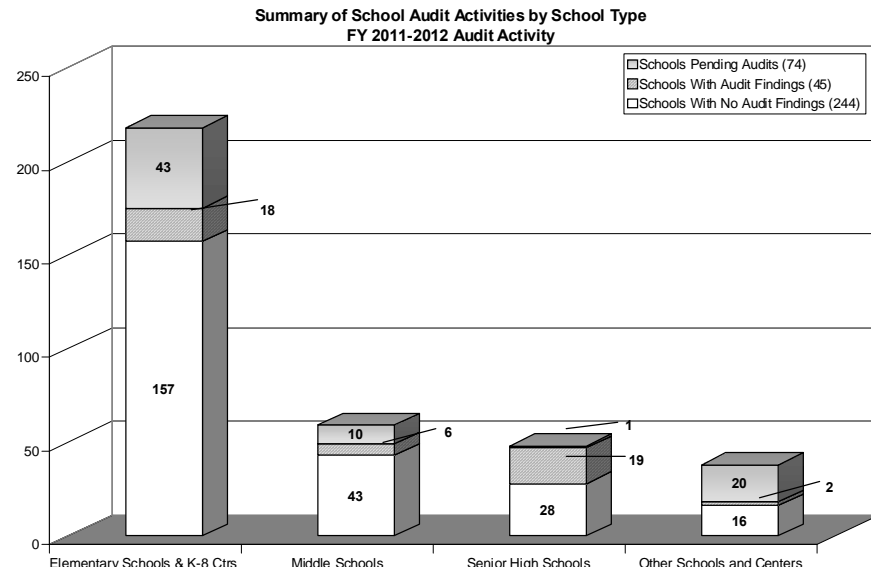
SCHOOL AUDITS (CONTINUED)

- ▶ **Full-Time Equivalent (FTE) audits were conducted at 49 schools (17%) 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 the FEFP. A review of records was related to student attendance, Special Education, English Language Learners, Cooperative Education and Teacher Certification. In FY 2010-2011, we conducted FTE audits at 36 schools.

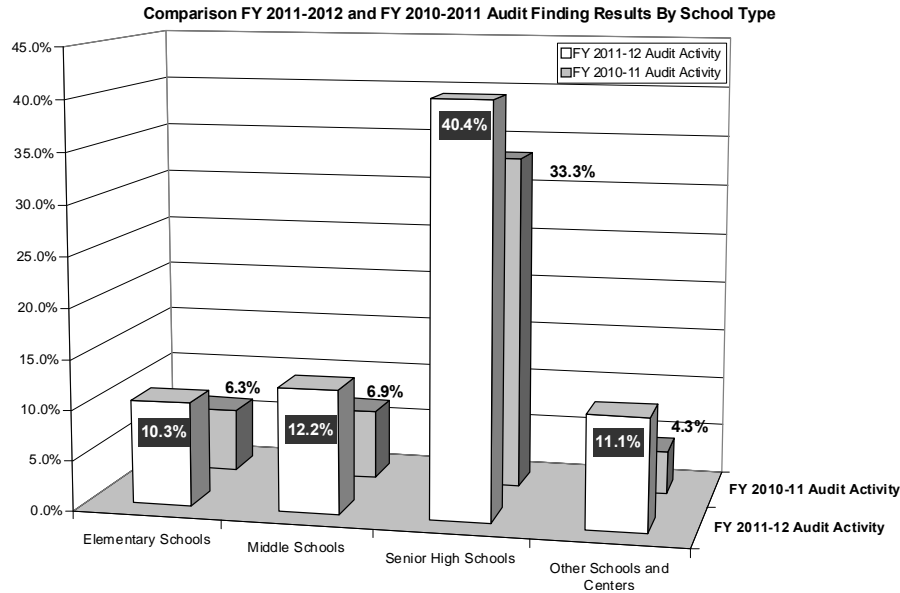
- ▶ **We found that of 289 schools audited in FY 2011-2012, 244 schools (84%) conducted their financial affairs in accordance with district policies and maintained good internal controls. However, at 45 schools (16%), there were opportunities for improvement. The number of schools with exceptions increased when compared to last year's results where, of 288 schools audited, 27 schools (9%) were cited.**

SCHOOL AUDITS--SUMMARY OF RESULTS

- ▶ **The Audit Plan for the 2011-2012 fiscal year mapped the school audit coverage at 70%-80% of the school sites, which we met by completing a total of 289 of 363 school audits to be performed for the 2011-2012 fiscal year. Our audit coverage represented 80% of the total audit population. In the 2010-2011 fiscal year, we audited 288 of 360 schools (80%).**
- ▶ **Compared to the previous year's audit activity (FY 2010-2011), the total number of schools audited was slightly increased. This accomplishment took place even though there were staff reductions at school sites, which often impacted the time needed for completing the assignments within shorter timelines. Also, some of the audits this year, as evidenced by the types and total number of findings reported throughout the year, required additional time and effort.**
- ▶ The graph on the right depicts the breakdown of district schools arranged by Elementary/K-8, Middle, Senior High and other schools (Adult, Alternative, Special and Other Centers), 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 an increase in the number of elementary, middle and other schools with audit findings (45 schools this year as compared to 27 schools in the previous year).

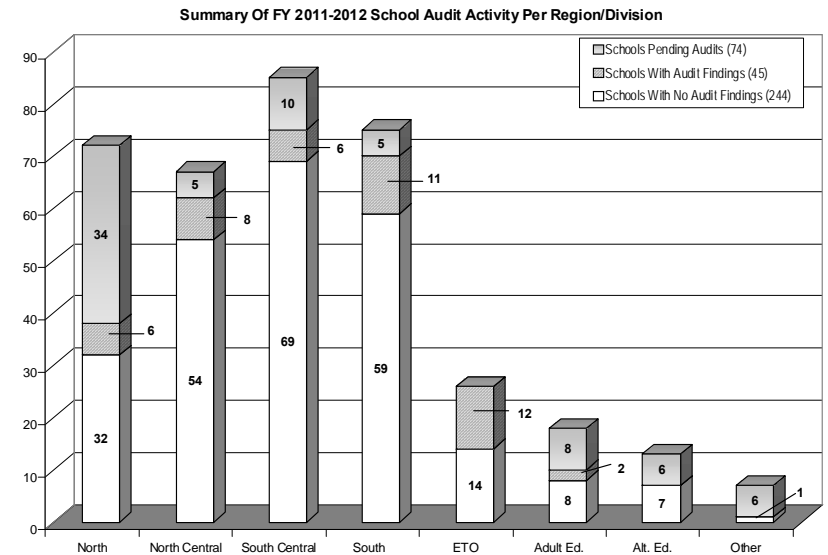


SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)

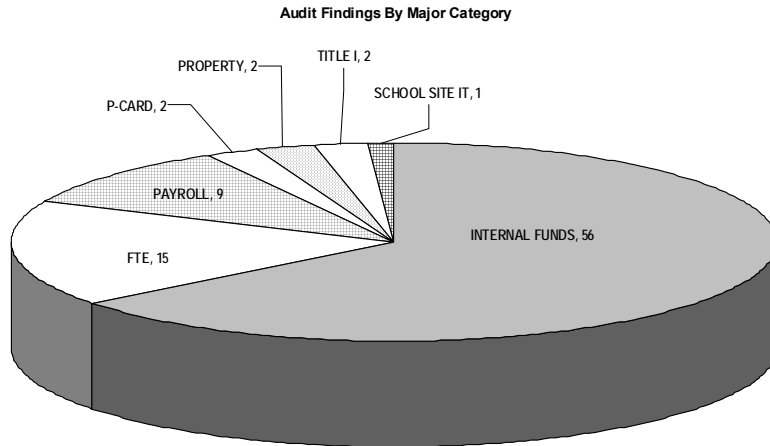


- At the time the fiscal year concluded, we were in the process of auditing schools in the North Region Center, and accounted for 34 school audits, which could not be completed in time for publication. School audits pending at year-end will be published next year as two-year audits.

- The graph on the left shows that by comparison, secondary schools require greater attention.
- The breakdown of school audits reported by region in the graph below shows the heaviest concentration of schools with audit findings in the ETO, followed by South, North Central and South Central Regional Centers, respectively.

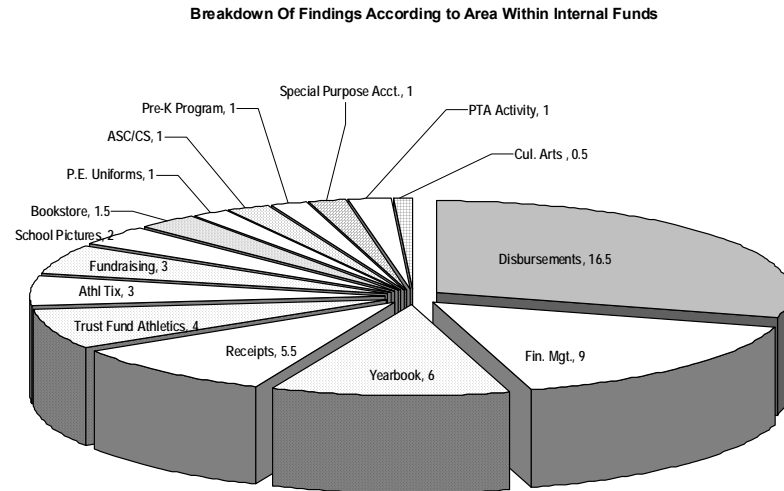


SCHOOL AUDITS--SUMMARY OF RESULTS (CONTINUED)



► As the pie chart on the left depicts, school audit reports cited a total of 87 audit findings (at 45 schools). Findings were mostly in the area of Internal Funds, followed by FTE and payroll time and attendance. We also reported findings in the areas of P-Card purchases and procedures, the management of property, Title I and school site Information Technology (IT) Security, as the chart reflects. In FY 2010-2011, the total number of findings was 47.

► A breakdown of the findings within the area of Internal Funds shows that, similarly to the prior year, non-compliance with disbursement procedures was the area most cited in our audits (see shaded area representing about 17 of 56 findings in Internal Funds, or 30%). In FY 2010-2011, 6 of 23 findings in Internal Funds were related to disbursements.



PROPERTY AUDITS

- ▶ The Office of Management and Compliance Audits is responsible for ensuring that the School District is accounting for all of its tangible property. At M-DCPS, the management of tangible property 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 Florida Statutes, Chapter 274.02, a complete physical inventory of all tangible 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 tangible property with an individual cost of \$1,000 or more, the results of which are reported as part of the school audits.
- ▶ During FY 2011-2012, our Property Auditors visited almost 360 work locations and accounted for approximately 89,100 items with a combined cost of almost \$373 million. Approximately \$213,000 (0.057%) was reported as "unlocated" and close to \$137,000 (0.037%) was reported missing through the Plant Security Report process. The combined loss rate was 0.09%, which is minimal when compared to the total cost. In FY 2010-2011, we reported \$376.8 million in property cost and the combined loss rate was 0.15%. Consequently, this year's property audits disclosed a marked improvement.

| PHYSICAL INVENTORY RESULTS 2011-2012 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 | |
| North | \$ 26,010,943 | \$ 68,292 | \$ 6,269 | \$ 74,561 | 0.29% |
| North Central | 33,425,839 | 1,449 | 16,369 | 17,818 | 0.05% |
| South Central | 44,711,862 | 2,596 | 22,508 | 25,104 | 0.06% |
| South | 45,867,428 | 30,697 | 34,409 | 65,106 | 0.14% |
| ETO | 31,922,183 | 65,457 | 19,686 | 85,143 | 0.27% |
| Other Centers | 9,905,730 | 26,141 | 16,164 | 42,305 | 0.43% |
| District | 180,780,599 | 18,370 | 21,153 | 39,523 | 0.02% |
| Totals | \$ 372,624,584 | \$ 213,002 | \$ 136,558 | \$ 349,560 | 0.09% |

DISTRICT AUDITS – SUMMARY OF RESULTS

Audit of Inventories as of June 30, 2011 (December 2011)

| Department/Unit | Perpetual Inventory | Adjustment to Perpetual | General Ledger 6/30/11 |
|--------------------------------------|-----------------------------|--------------------------|-----------------------------|
| Textbook Support Services (1) | \$ - | \$ 394,044 | \$ 394,044 |
| Food and Nutrition (2) | 3,722,615 | 266 | 3,722,881 |
| Stores and Mail Distribution (3) | 3,805,338 | 31,749 | 3,837,087 |
| Maintenance Materials Management (4) | 3,781,216 | 14,867 | 3,796,083 |
| Transportation (2) | <u>1,279,786</u> | <u>71</u> | <u>1,279,857</u> |
| Total Inventory | <u>\$ 12,588,955</u> | <u>\$ 440,997</u> | <u>\$ 13,029,952</u> |

- We examined the inventory balances as reported in the Annual Financial Report for the fiscal year ended June 30, 2011 for Textbook Support Services, the Department of Food and Nutrition, Stores and Mail Distribution, Maintenance Materials Management, and the Department of Transportation.

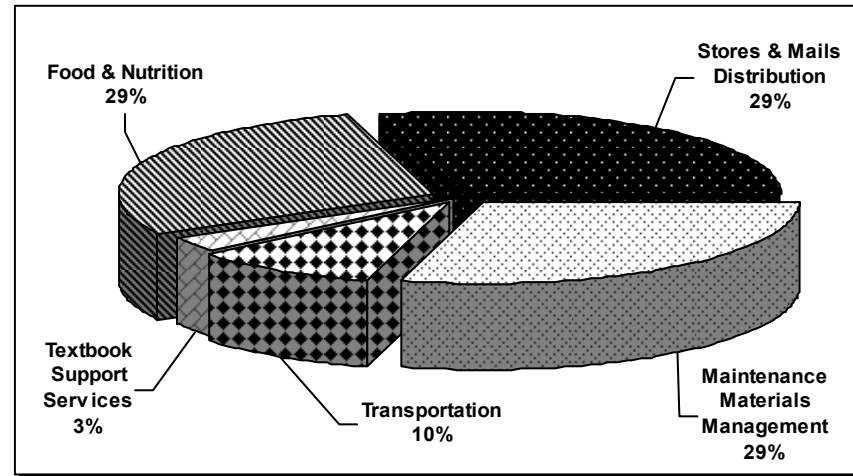
- (1) No perpetual inventory system is maintained for textbooks.
- (2) Adjustment to the perpetual inventory was

immaterial.

(3) Adjustments consisted of \$31,815 from inventory activity after the cut-off date and \$(66) in department count adjustments.

(4) Adjustments consisted of \$14,867 in inventory received after the cut-off date, but does not include \$180 in department count adjustments uncovered during the annual physical inventory count.

- Year-end inventories decreased 23% from \$16.8 million at June 30, 2010 to \$13 million at June 30, 2011.
- In our opinion, the inventories were fairly stated in the Annual Financial Report. The prior year's audit finding was resolved and process controls over the five inventories were satisfactory. However, there were certain inconsequential matters, which came to our attention during our audit that were deemed non-reportable and were discussed with management for their information and follow-up.



DISTRICT AUDITS - SUMMARY OF RESULTS (CONTINUED)

Network and Information Security Information Technology Services Infrastructure and Systems Support Areas II and IV – Selected School Sites (September 2011 and June 2012)

These audits covered information and network security within the Miami-Dade County Public Schools and the internal controls in place to safeguard these resources. These were the fourth and fifth reports in a series of reports of this nature and covers 40 of the 107 schools that are under the auspices of ITS ISS Areas II and IV. Our audit of ITS ISS Area II, concluded that while adequate management of network resources and data security was generally observed and marked improvement is emerging due to management's commitment towards a secure district network, certain trends identified during the course of this audit disclosed areas that can greatly benefit from additional standardization across the network and increased oversight of school-based technology support staff. With respect to ITS ISS Area IV, we were pleased to report that, based upon the scope of that audit, no significant trends or findings were noted while auditing the school locations sampled within this support area. This noteworthy accomplishment is in line with a steady progress in the declining number of findings related to this series of audits.

Follow-up Review Maintenance Materials, Equipment and Supplies Purchase and Use (September 2011)

This follow-up review was performed to determine the extent to which management's plans of action for addressing the four (4) recommendations made in our September 2007 audit report have been implemented. Our follow-up review concluded that albeit not timely, management fully implemented all four (4) prior audit recommendations.

Follow-up Review of State of Florida Auditor General Reports: Miami-Dade County District School Board Operational Audit and Federal Single Audit for the Fiscal Year Ended June 30, 2010 (September 2011)

Pursuant to the request of the School Board Audit and Budget Advisory Committee, we reviewed the actions taken by the Administration to implement the recommendations included in the State of Florida Auditor General Operational Audit and Federal Single Audit (For the Fiscal Year Ended June 30, 2010) Report[s] of Miami-Dade County District School Board, issued February 2011 and March 2011, respectively. Our follow-up review concluded that the Administration has fully implemented 10 and partially implemented 15 of the 25 recommendations.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Review of Internal Control Over Maintenance Contracted Services, Supplies and Equipment Purchases (December 2011)

This review was performed to assess the internal controls in place over contracted services, supplies and equipment used in maintaining the District's facilities. Overall, our review disclosed that the control system as designed and operated incorporates many of the best practices for contracting goods and services. In general, the processes are supported by a number of good control check points and forms that are adequate to reduce the risk of error and fraud going undetected. However, the effectiveness of these controls was diminished due to weaknesses found in some of the processes. We made several recommendations to strengthen the processes and management agreed to implement those recommendations.

Audit of Pre-construction Services (January 2012)

This audit was performed to determine the extent to which contracted firms' complied with stipulated contract terms and to evaluate the quality of service received by the District for pre-construction services. Our audit concluded that the District did not always receive the deliverables stipulated in the Construction Management At-Risk Agreement (CMAA). In some instances, having received the requisite pre-construction services would have mitigated or eliminated the costs associated with contingency and change order items. Our review of the CMAA and analysis of contingency and change order items disclosed that a misalignment between the terms of the CMAA and management's expectations exists relative to the location and identification of utilities. Questions concerning the timing of when conflicts that impact the project are identified, as evidenced by the use of contingency for items that are known or should have been known prior to bidding and award, raised concerns about the completeness of pre-construction services received. Additionally, management sometimes utilized the allowance for contingency to fund changes to the School Board-approved scope of work.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Audit of Internal Control Over Food and Nutrition Cafeteria Receipts (March 2012)

This audit was performed to evaluate internal controls over the cash receipts, deposit, and reconciliation processes for school cafeteria food service sales to ensure that controls are adequate and the necessary safeguards are in place. Our audit disclosed that the District's objective of providing effective controls for the receipt, deposit, and reconciliation processes over cash receipts from food service sales at the schools was largely being met. However, although reconciliations of cash deposits are regularly performed in Food Service Accounting, we found that Food and Nutrition could improve internal control over cash collections by: (1) establishing systematic centralized procedures to evaluate the differences in cash receipts occurring at the school cafeterias; (2) increasing accountability of school cafeteria staff for proper oversight of cash handling practices; and (3) enhancing the criteria for cash control and accountability inspections at school cafeterias.

Audit of District Central Offices Network and Information Security – Office of the Controller (March 2012)

This was the third in a series of reports that address information and network security practices at district offices. Our audit concluded that while general measures for compliance with the Miami-Dade County Public Schools Network Security Standards are in place within the Office of the Controller, security over business data and systems and performance could be improved by ITS working collaboratively with the Controller's Office to address certain security and performance issues uncovered.

Internal Controls Over M-DCPS Purchasing Card Program (P-Card) for Non-School Site Locations (June 2012)

We performed an audit of the Purchasing Card (P-Card) Program of Miami-Dade County Public Schools, for non-school site locations, for FY 2010-2011 and the period of July 1, 2011 through September 2011, to assess the internal controls in place to safeguard the Program's resources.

DISTRICT AUDITS – SUMMARY OF RESULTS (CONTINUED)

Our audit disclosed several weaknesses in internal controls over M-DCPS P-card Program for non-school site locations. Areas identified as needing improvement include, but are not limited to, written procedures for the administration of the P-card Program, periodic P-card training sessions, timely deactivation of P-cards, periodic review of P-card credit limits, consistency in performing control activities over P-card transactions, timely submitting and posting of P-card reconciliations, timely payment of the monthly statement balance, and segregation of duties. Also, our test of P-card purchases at several work locations disclosed instances of paying for goods and services without proper support or acknowledgement of receipt of goods or services, and purchases that were not allowed through the P-card.

Audit and Investigation of Special Education Service Billed to the District

At the request of the Superintendent, we are conducting an audit of amounts invoiced the District for special education program services by six service providers. We have completed our analyses of those contracts and the related charges, and have drafted a preliminary report. We anticipate presenting the report to the Audit and Budget Advisory Committee at its December 2012 meeting.

INVESTIGATIVE AUDITS – SUMMARY OF RESULTS

Agreed-upon Procedures Performed Pursuant To Agenda Item H-27 of the March 9, 2011 School Board Meeting: Financial Costs Associated With District Administration of Charter Schools

At the March 9, 2011, School Board meeting, in accordance with agenda item H-27, the Board directed the Superintendent to prepare a cost-analysis report on the financial costs associated with district administration of charter school contracts, and provide said report to the District's Chief Auditor for his review, transmittal to the Audit Committee, and presentation to the School Board.

The objective of this engagement was to apply to the above-referenced cost-analysis report the agreed-upon procedures, which sought to provide a level of review, verification and validity of costs asserted by the administration, associated with legally mandated charter school administration, oversight and support activities. The scope of the engagement was limited to the one year period ended June 30, 2010.

The administration asserted that it accounted for direct and indirect costs of \$6,056,002 associated with compliance, monitoring, support and oversight of its charter schools for Fiscal Year 2009-2010. This amount was presented by the administration as very conservative and likely understated due to there being no mandate, legal requirement or corresponding accounting mechanism to track such costs, and that many of the services were provided by staff who are either no longer in the same position or employed by the District. After applying the agreed-upon procedures, we recommended and the administration accepted 15 adjustments to the reported costs resulting in a net reduction of \$106,565 and reducing the administration's reported costs to \$5,949,437.

Investigation of Allegations Concerning Academy of Arts and Minds Charter High School

Pursuant to a written complaint from members of the Academy of Arts and Minds Charter High School's (A&M) PTSA Executive Board and six other Concerned Parents of Students at A&M, we conducted an investigation and found the four fundamental allegations in the complaint to be largely substantiated.

Our investigation concluded that the lease, as well as the food service and management agreements the school has with corporations owned by the founding Board member, had been executed and in place without the due diligence or adequate monitoring by the school's Governing Board.

INVESTIGATIVE AUDITS – SUMMARY OF RESULTS (CONTINUED)

We also found the Academy of Arts and Mind's landlord, owned by the founding Board member, had wrongly claimed and received a 65% charter school ad valorem tax exemption on three adjoining properties from 2005 to 2011. The Miami-Dade County Property Appraisers Office placed tax liens, including back taxes, interest and penalties on the three properties totaling \$182,736, pending completion of their investigation.

Investigation of Healthcare Services Billed to the District

Based on another request from the Superintendent, we are conducting an investigation of multi-million dollar charges invoiced to the District by a vendor for a two and one half year period. We have corresponded with the vendor and applicable district departments, have compiled and analyzed extensive supporting documentation and are in the process of determining whether or not the District was overbilled. Upon completion of our fieldwork, we will prepare a report and present it to the Audit and Budget Advisory Committee at a future meeting.

CIVILIAN INVESTIGATIVE UNIT (CIU)

Mission

- ▶ To ensure equitable, effective, and efficient processing of allegations 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 allegations* made against Miami-Dade County Public School personnel relating to School Board Policy 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 policies.

Nature of Work

- ▶ Allegations that may be referred to CIU include but are not limited to: violations of the Code of Ethics, Standards of Ethical Conduct, inappropriate employee-student relationships, violence in the workplace (non-criminal), corporal punishment (non-criminal), and unacceptable use of the Internet and email policies. 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 122 cases this school year and 6 cases are pending to be closed during the 2012-2013 school year (please refer to next table).

CIVILIAN INVESTIGATIVE UNIT (CIU) (CONTINUED)

Listed below is the information pertaining to cases assigned to CIU during FY 2011-2012:

- ▶ Two investigators processed a total of 128 cases during this school year.
- ▶ Of the 128 cases, 120 cases were completed, one case was returned to the Office of Professional Standards (OPS) to be revisited by the Incident Review Team (IRT) for further review, another case was re-assigned to the General Investigative Unit (GIU) as it may be criminal in nature, and six cases were pending closure at the close of the 2011-2012 fiscal year.

| | Totals | Probable Cause | No Probable Cause | Unfounded | Supplement- No Changes | Returned to OPS | Reassigned to GIU | Cases Pending to Be Closed in 2012 - 2013 FY |
|--|--------|----------------|-------------------|-----------|---------------------------|-----------------|-------------------|--|
| Cases Assigned to CIU during 2011-2012FY | 128 | 72 | 39 | 4 | 5 | 1 | 1 | 6 |

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, the Office of Professional Standards may request a *supplemental investigative report*, if appropriate. If it was determined by CIU that the supplemental information provided did not alter the outcome of the investigation, then **no changes** would be made to the outcome of the investigation conducted by CIU. In instances where additional information is provided, via a supplemental investigative report by CIU, OPS will review the information and render a final determination.
- ▶ **Returned to OPS** – Case returned to OPS to be revisited by the IRT team for further review, i.e. reassignment.
- ▶ **Reassigned to GIU** – Case reassigned to GIU because case is possibly criminal in nature.
- ▶ **Cases Pending** – Cases that remained open at the end of the present school year, to be completed during the next school year.

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 and her staff.
- ▶ 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:

School Sites:

Coral Way K-8 Center - An investigation of the school's financial records for the period of July 1, 2010 to April 22, 2011, disclosed a number of receipts issued by Community School staff totaling \$46,370 that could not be traced to any bank deposit. At this school, the former school treasurer was in charge of making the deposits. Our investigation was unable to identify the individual(s) responsible for the misappropriation, because the school was not documenting the exchange of monies between the various individuals involved in the collection process and the former treasurer. The former treasurer retired and the individuals involved in the handling of these funds no longer work at this school or in this capacity.

Holmes Elementary - Due to an allegation that the school treasurer had failed to post and deposit monies collected by several teachers during October 2011 and December 2011, we extended our review of financial records to encompass 100 percent of all deposits made during the 2010-2011 fiscal year and the 2011-2012 fiscal year up to January 2012. We found that collections totaling approximately \$3,100 could not be traced to any deposit package or to the bank. In a written statement, the treasurer admitted her responsibility for mishandling the collections; however, she would not admit to their misappropriation. The treasurer resigned effective March 26, 2012, and her personnel records were "flagged" to prevent future employment.

INVESTIGATIVE AUDITS (CONTINUED)

Miami Norland Senior High School – While reviewing the April 2011 bank reconciliation, staff from the Division of Internal Funds in the Accounting Department found that the bank statement had been altered and the bank reconciliation falsified. We investigated this situation and discovered that the school treasurer had misappropriated approximately \$7,100. The treasurer was arrested and Miami-Dade County Public Schools has terminated her employment.

Miami Edison Senior High School – At the request of the Office of the Inspector General for Miami-Dade County, we conducted a forensic audit in reference to the misappropriation of funds by the treasurer. We determined that the total amount of misappropriated funds was \$171,820. The treasurer fabricated disbursement documentation and forged signatures on 198 internal funds checks. She was arrested and Miami-Dade County Public Schools terminated her employment.

Homestead Senior High School – During the review of the school's financial activity corresponding to the 2010-2011 and 2011-2012 fiscal years up to January 2012, the School Audits Division uncovered that the school could not account for collections totaling \$24,062. Of this misappropriation, \$10,004 could be traced directly to the treasurer. Substitution of cash was discovered along with misappropriation of funds from various internal fund accounts including ESE, Nursing, Instructional Aids and Fees, and Field Trips. The treasurer was arrested and Miami-Dade County Public Schools has terminated her employment.

EXTERNAL AUDITS

The following audits of various School Board operations were performed by external auditors and presented to the Audit and Budget Advisory Committee during the 2011-2012 fiscal year:

FINANCIAL AUDITS

The following financial audits of the School Board and its component units were conducted by independent certified public accounting firms.

| Audit | Audit Firm |
|---|--------------------------------|
| Financial Statements for the Foundation for New Education Initiatives FYE 6/30/11 | C. Borders – Byrd, CPA LLC |
| Annual Financial Statements, Educational Impact Fee Fund FYE 6/30/11 | C. Borders – Byrd, CPA LLC |
| Audit of the Dade Schools Athletic Foundation, Inc. for FYE June 30, 2011 | Sharpton, Brunson & Co., P. A. |
| Audit of the Magnet Education Choice Association, Inc. (MECA) for FYE June 30, 2011 | Sharpton, Brunson & Co., P. A. |
| Audit of the Miami-Dade Coalition Community Education, Inc. for FYE June 30, 2011 | Sharpton, Brunson & Co., P. A. |
| Audit of WLRN Television and Radio Station for FYE June 30, 2011 | Sharpton, Brunson & Co., P. A. |

FINANCIAL AUDITS (CONTINUED)

| Audit | Audit Firm |
|--|-------------------------|
| Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2011 | KPMG LLP |
| Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2011 | McGladrey & Pullen, LLP |
| Single Audit Report FYE June 30, 2011 | McGladrey & Pullen, LLP |

EXTERNAL AUDITS (CONTINUED)

Charter Schools

Charter schools are required to submit independently audited financial statements each year. Our office reviews and presents these statements to the Audit and Budget Advisory Committee for discussion and forwards them to the School Board. During the year, we identified numerous charter schools that met statutory criteria of financial emergency or otherwise had precarious financial conditions, operations, or governance. We also identified several audits for which we found it necessary to challenge the school and audit firm as to their adherence to applicable auditing and/or financial reporting standards.

Specifically, one charter school's audited financial statements understated its liabilities/debt, resulting in a significantly overstated net asset position. Another failed to have the appropriate entity audited, and when the District required it, the school was found to "have substantial doubt as to its ability to continue as a going concern." Another school's governing board guaranteed with public funds, a substantial loan to a private for-profit entity.

During the course of the year, we also worked with Charter School Operations, the School Board Attorney's office, the Florida Department of Law Enforcement and the Miami-Dade County Property Appraiser, in charter school-related investigations. Additionally, as referenced in the Investigation Section of this report on page 18, we conducted and issued our report on "Investigation of Allegations concerning the Academy of Arts and Minds Charter High School." There were 109 charter schools operating during FY 2011-12, up from 92* the previous year. The following audits were presented during the 2011-2012 fiscal year:

*We only received 87 audited financial statements, because five schools were closed during the year.

| Charter School | Audit Firm |
|--|---------------------------------------|
| Academir Charter School West | Gardner and Associates, PA |
| 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 |
| Archimedean Upper Conservatory | Keefe, McCullough & Co, LLP |
| Aspira Eugenio Maria de Hostos | Alberni, Caballero & Castellanos, LLP |
| Aspira Raul Arnaldo Martinez | Alberni, Caballero & Castellanos, LLP |
| Aspira South Youth Leadership | Alberni, Caballero & Castellanos, LLP |
| Aventura City of Excellence | Keefe, McCullough & Co, LLP |
| Balere Language Academy | King & Walker, CPAs, PL |
| Ben Gamla Charter School (Miami Beach) | Gravier & Assoc, CPA |
| Bridgepoint Academy Charter School | Verdeja & De Armas, LLP |
| 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 |
| Doral Academy Charter Middle | Gravier & Assoc, CPA |
| Doral Academy High | Gravier & Assoc, CPA |

| Charter School | Audit Firm |
|---|-------------------------------------|
| Doral Performing Arts & Entertainment Academy | Gravier & Assoc, CPA |
| Downtown Miami Charter School | GLSC & Company, PLLC |
| Early Beginnings – Civic Center | Menendez, CPA, 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 International Elementary Academy | Keefe, McCullough & Co, LLP |
| Florida School for Integrated Academics and Technologies Miami-Dade (SIATECH) | James Moore & Co, PL |
| 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 Charter High School | Keefe, McCullough & Co, LLP |
| Keys Gate Charter School | Keefe, McCullough & Co, LLP |
| Lawrence Academy | James Accounting & Tax Practice, PA |
| Lawrence Academy Middle | James Accounting & Tax Practice, PA |
| Lawrence Academy Senior High | James Accounting & Tax Practice, PA |
| Life Skills Center Miami-Dade County | BKHM, CPA |
| Lincoln-Marti Charter School Hialeah Campus | GLSC & Company, PLLC |

| Charter School | Audit Firm |
|--|-------------------------|
| Lincoln-Marti Charter School International Campus | GLSC & Company, PLLC |
| Lincoln-Marti Charter School Little Havana Campus | GLSC & Company, PLLC |
| Mater Academy | Gravier & Assoc, CPA |
| Mater Academy (Miami Beach) | 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 Academy of International Studies | Gravier & Assoc, CPA |
| Mater Academy High School of International Studies | Gravier & Assoc |
| Mater Academy Middle School of International Studies | Gravier & Assoc |
| Mater East Academy Charter School | Gravier & Assoc |
| Mater East Academy High School | Gravier & Assoc |
| Mater Gardens Academy | Gravier & Assoc, CPA |
| Mater Gardens Academy Middle | Gravier & Assoc, CPA |
| Mater Performing Arts & Entertainment Academy | Gravier & Assoc, CPA |
| Miami Arts Charter | BKHM, CPA |
| Miami Children's Museum Charter School | Gravier & Assoc, CPA |
| Miami Community Charter | King & Walker, CPAs, PL |

| Charter School | Audit Firm |
|---|---|
| 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 (North Campus) | Gravier & Assoc, CPA |
| 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 |
| Somerset Academy Charter High (South) | Gravier & Assoc |
| Somerset Academy Grace (Coral Gables) | Gravier & Assoc |

| Charter School | Audit Firm |
|---|-------------------------|
| 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 |
| The Charter School at Waterstone | King & Walker, CPAs, PL |
| Theodore R. and Thelma Gibson Charter | Gravier & Assoc, CPA |
| Youth Co-Op | GLSC & Company, PLLC |

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 2011-2012 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 2010-2011 | Office of the Inspector General |
| Miami-Dade County Public Schools – ACH Transfer Process Assessment Findings and Recommendation Report | KPMG LLP |
| Peer Review Office of Management and Compliance Audits | Association of Local Government Auditors |

NON-AUDIT SERVICES AND ACTIVITIES

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.

Staff Participation in Various Committees

- ▶ Pursuant to School Board Policy and Government Auditing Standards, internal audit staff participated as non-voting members on various district committees.

Audit Presentation to PTSAs/PTAs

- ▶ The Chief Auditor and Assistant Chief Auditor for the School Audits Division participated as presenters during the PTSAs/PTAs presentation at Booker T. Washington Senior High School. Topics discussed related to the PTSAs/PTAs activities conducted at the schools and guidelines established in the *Manual of Internal Fund Accounting*.

NON-AUDIT SERVICES AND ACTIVITIES (CONTINUED)

Participation in FTE School Site Presentations and District Committees

- ▶ FTE staff participated in the *On-The-Job (OJT) Beginning of the Year Meeting* with school site personnel to answer questions related to best practices at the schools, associated with FTE procedures and recordkeeping.
- ▶ The Audit Director, School Audits Division, participated, as a non-voting member, in a District committee to draft school site procedures for capturing FTE.

Participation with Outside Agencies

- ▶ School Audits staff assisted the State of Florida Auditor General (AG) in their audit of the Full-Time Equivalent (FTE) Students and Student Transportation under the Florida Education Finance Program (FEFP) of M-DCPS for the fiscal year ended June 30, 2011. The audit started towards the end of July 2011 and ended in December 2011. During that time, FTE audit staff assisted with entrance/exit conferences, and the transmittal of audit findings and responses between school sites, select District offices and the AG.

Staff Participation In Various Committees

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

Staff Development

- ▶ 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*.

NON-AUDIT SERVICES AND ACTIVITIES (CONTINUED)

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 resulted in the reduction of two audit positions in the District Audits Division that have not been filled.

FY 2012-2013 Annual Audit Plan and Adopted Budget



Office of Management and Compliance Audits



THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Perla Tabares 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. José F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

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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
Dr. Lawrence S. Feldman, Vice Chair
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Carlos L. Curbelo
Renier Diaz de la Portilla
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Raquel A. Regalado

June 15, 2012

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 proposed audit plan for Fiscal Year 2012-2013 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. As in previous years, district-wide audits will encompass financial, instructional support and IT areas. However, the spectrum of coverage will be narrower this year due to District budgetary constraints, which precluded us from filling two recently vacated District audit positions.

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. Any changes or additions to the plan will be incorporated into the final audit plan and brought to the September 2012 Audit and Budget Advisory Committee meeting for the Committee's consideration and approval.

Respectfully yours,

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

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 362 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
- Property Audits to be conducted at schools following audit plan.

District Audits Division

Internal Audits

➤ Areas of Audit Coverage

- Various District support functions including:
 - ✓ Financial operations
 - ✓ Instructional support operations
 - ✓ Grants management
 - ✓ Risk benefits operations
 - ✓ IT security and support

District Audits Division

Four New Internal Audits

- Internal Controls Over Selected Instructional Support Agreements and Contracts (New)
- Internal Control Over Derivatives Management (New)
- Propriety of Charter Schools Start-up and continuation Grant (New)
- District's Self-insurance Program (New)

District Audits Division

Two Carryover Internal Audits

- Miami Partnership In Action Community Task Force (MPACT) Grant
 - Fieldwork completed and findings summarized
 - Carryover from FY 2011-2012 pending results of investigations

- Grants Management and Controls (In progress)

District Audits Division

Four IT Audits

- Electronic Grade Book (EGB) – Security and Controls (New)
- SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management (New)
- School Site Network & Information Security (Ongoing)
- District Offices Network & Information Security (Ongoing)

District Audits Division

Internal Controls Over Selected Instructional Support Agreements and Contracts

- In educating its students and providing support for instructional staff, various service providers are contracted by M-DCPS to deliver instructional content and support. During FY 2011-2012, such services valued over \$9 million were delivered through these contracts.
- Our audit objectives are to ensure that adequate internal controls are in place over the management and use of said contracts, to determine service providers' compliance with contract deliverables and expectations, and to determine the propriety of the contracted services.

District Audits Division

Internal Control Over Derivative Instruments Management

- Derivative instruments are among the various financial tools the District uses to manage financial risks. Recent events reported by the national media relating to the impact of derivative instruments on the financial crisis have highlighted the risks associated with these types of instruments. In the District's audited financial statements for the fiscal year ended June 30, 2011, the fair value of such instruments was reported at approximately \$(24) million and the assumed debt service for net swap payments through FY 2028 of approximately \$79 million.
- Our objectives are to review the policies and procedures in place for managing derivatives, determining that they conform to recommended best practices; and to assess the level of internal controls in place over this process.

District Audits Division

Propriety of Charter Schools Start-up and Continuation Grant

- Florida public charter schools are eligible to receive a pass-through competitive grant issued by the U.S. Department of Education through the Charter School Program (CSP) for planning, program design, initial implementation of the charter school; and for supporting the dissemination of successful practices and other information about charter schools. During FY 2011-2012, the District paid approximately \$2.7 million to 14 District charter schools.
- Our audit objective is to determine the adequacy of internal controls in place to disseminate and monitor the amounts awarded; and to assess the proper use of these funds.

District Audits Division

District's Self-insurance Program

- The District's self-insurance plan is in its third year of operations. According to the District's Risks and Benefits Officer, estimated total plan costs for calendar year 2012 is over \$378 million, the District's largest expense after payroll.
- The audit will focus on determining whether adequate internal controls and safeguards are in place over the program's operations, including its oversight of the third-party administrator, cost-control strategies, and plan information reporting.

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 were 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.

District Audits Division

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

- We have completed our audit fieldwork and the draft report. However, the finalization and issuance of said report is still 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

Grants Management and Controls

- M-DCPS currently manages more than 160 non-Title I grants totaling \$431 million. These grants are funded by various federal, state, and local agencies, and private entities.
- We were in the process of reviewing the internal controls over the District's grants management function to ensure that adequate safeguards are in place.
- We had commenced our audit fieldwork, which was postponed in order to address other audit priorities. We will resume our fieldwork when our audit resources become available.

District Audits Division

IT Audits

Electronic Grade Book (EGB) – Security and Controls

- The District's EGB has completely replaced traditional hand-written grade book procedures. Both student grades and attendance reporting are handled via EGB.
- An assessment of EGB security controls will focus on providing reasonable assurance that the integrity of this system is properly managed to prevent unauthorized use, inappropriate disclosure of sensitive information, and access to the system is proper and in accordance with the role of the system user.

District Audits Division

SAP/Legacy Systems – District-wide Security Controls, Roles and Access Management

- The District's successful implementation of SAP brings with it a new set of risks, including appropriate management of systems access and security controls. In addition, some legacy systems continue to handle critical functions. Until those systems are retired, continued monitoring of appropriate access is required.
- We will review the procedures and methods used to grant systems access to ensure that only authorized employees are able to review and/or modify data. Procedures for periodic monitoring and reconciliation of access based on need and roles will also be examined for both SAP and legacy.

District Audits Division

School Site Network & Information Security (Ongoing)

- A substantial amount 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 network endpoints, are performing as designed, and schools are complying with M-DCPS' Network Security Standards.
- We will continue working with the six ITS Network Support groups, as we did last year, to determine whether adequate internal controls and leading practices are in place at selected individual schools to ensure network security and adherence to current District Network Security Standards.

District Audits Division

District Offices Network & Information Security (Ongoing)

- District departments store and manipulate vast amounts of data, including those in student, personnel, business, and accounting records. This data may come under attack from internal and external threats.
- As we did for the past two fiscal years, our objective will focus on providing reasonable assurance that basic controls are embedded in the network endpoints, that they are performing as designed, and that District offices are complying with M-DCPS' Network Security Standards.

District Audits Division (Long Range)

Four Long Range Audits

- Energy Management
- Compliance: ESE and Risks Benefits (IDEA and HIPAA)
- Audit of Information Technology Security Controls
- ERP/SAP – User Survey (Carryover from FY 2010-2011)

District Audits Division (Long Range)

Energy Management

- The District Inspections, Operations and Emergency Management (DIOEM) Department is responsible for monitoring and programming the District's energy management system. In recent years, annual energy services costs have exceeded \$80 million. DIOEM also manages long-term contracts for systems performance monitoring, verification, as well as equipment maintenance and services.
- The audit will focus on identifying efficiencies and cost-saving 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 (Long Range)

Compliance: ESE and Risk Benefit (IDEA and HIPAA)

- The District collects and stores, from its students and employees, certain information that is protected under the Federal Individuals with Disability Education Act (IDEA) and Health Insurance Portability and Accountability Act (HIPAA). Non-compliance with the patient protection aspects of these acts may result in severe consequences for the violator.
- We will evaluate the processes to ensure that controls are adequate and the necessary safeguards are in place; and to ascertain compliance with the applicable provisions of these two acts.

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.

District Audits Division (Long Range)

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, staff's use of the system is still evolving. This time frame provides the opportunity for us to receive valuable feedback.
- 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.

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
- District Offices

Property Audits/Year-End Inventories

Property Inventories

- Perform physical inventory counts of all property with an acquisition cost of \$1,000 or more at approximately **400 work locations. Results of school property audits reported as part of school audits.**
- During FY 2011-2012, our Property Auditors visited approximately 360 work locations; and accounted for **approximately 89,000 items with an approximate cost of \$373 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

Other Non-Audit Services

Community Based Organization Fiscal Review

- During FY 2011-2012 the District contracted with three (3) community-based organizations primarily for alternative education. We will review independent certified audits submitted by these entities and present them, along with our comments, to the Audit and Budget Advisory Committee for its review, input, and transmittal to the School Board.

Charter School Fiscal Review

- During FY 2011-2012, the District sponsored as many as 109 charter schools with student enrollment of approximately 41,000 and an estimated cost in excess of \$300 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 independent certified audit reports submitted by these charter schools and present them, along with our comments, 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 which meet one or more conditions of the financial emergency statute.

Other Non-Audit Services

Active Participation on Various Committees (As Non-voting Members):

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

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

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

Other Non-Audit Services

- Consulting Contract Review Committee
 - Evaluate contract terms

- Construction Services Selection Committee
 - Evaluation architects, engineers, construction managers, and consultants proposals to recommend approval to Superintendent of Schools

- Construction Contractor Pre-qualification Committee
 - Evaluation of contractor applicants to recommend approval/denial for pre-qualification to Superintendent of Schools

- M/WBE Contract Review Committee
 - Evaluation of selected construction projects for consideration of minority and women owned construction company's participation.

Other Non-Audit Services

➤ Review of External Audit Reports

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

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, along with our comments, 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 as set forth in School Board Policy 6835 Procedures-*Performance of Auditing Activities and Communication of Results*.
- Implementation of prior audit recommendations will continue to be monitored and reported to the Audit and Budget Advisory Committee.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT STAFFING

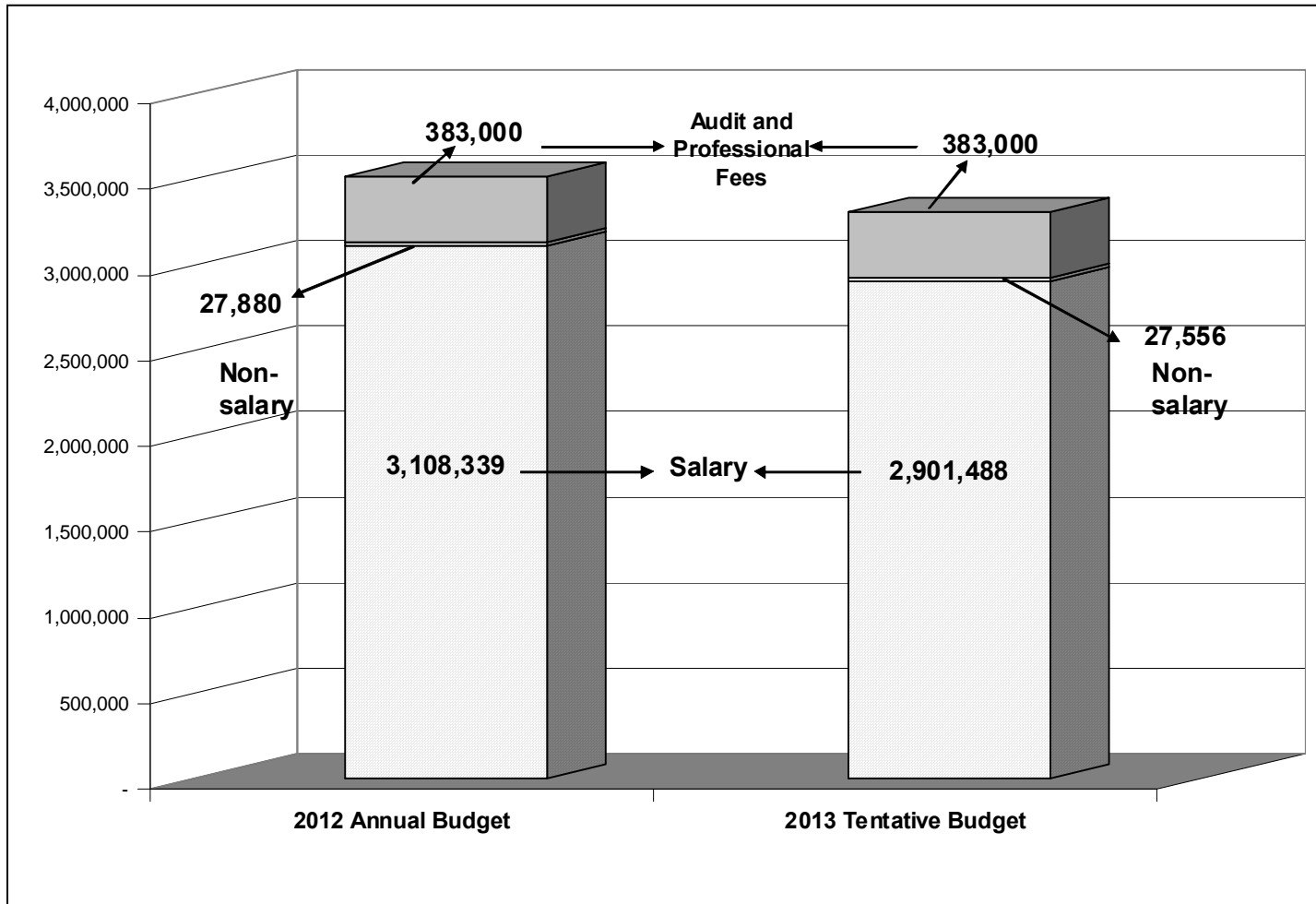
| Resource Allocation | 2012 | 2013 | Δ | Comments |
|--|-----------|-----------|--------------|--|
| Chief Auditor & Administrative Support Staff | 4 | 4 | No Change | |
| School Audits Division | 15 | 15* | No Change | See note below. |
| Non-School - Operational & Performance Audits Division | 5 | 3** | -40% | Two positions eliminated due to attrition— one staff member retired, the other was promoted to another department. |
| Information Technology Division | 1 | 1 | No Change | |
| Property Audits Division | 5 | 5 | See comments | No change; however, two staff members on medical leave for several weeks. |
| Audit Investigative Division | 3 | 3 | No Change | |
| Civilian Investigative Unit | 3 | 3 | No Change | |
| Totals | 36 | 34 | -5.5% | |

Notes:

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

** Over the last two fiscal years (2010-2011 and 2011-2012), there has been a 62% decrease in positions responsible for auditing District non-school site operations. This attrition will impact the number of audits to be completed in FY 2012-2013.

INTERNAL AUDIT/CIVILIAN INVESTIGATIVE UNIT COMPARATIVE BUDGET



Tentative budget for FY 2012-2013 includes \$383,000 to pay external auditors for financial audit of the District, Single Audit and external audits of WLRN-Radio & TV Stations, MECA, Coalition, Athletic Foundation and Impact Fees.

Decrease in salary expenditures due to two audit positions (including fringes and insurance) not allocated for FY 2012-2013.

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.

Revised: (07-11)

2012 ANNUAL REPORT



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