

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
September 27, 2011**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, September 27, 2011 in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Jeffrey B. Shapiro, Esq., Vice Chair
Dr. Lawrence Feldman, School Board Vice Chair
Ms. Susan Marie Kairalla
Mr. Willie Kemp
Mr. Isaac Salver, CPA
Mr. Roland Sanchez-Medina, Esq.

Members Absent:

Mr. Frederick F. Thornburg, Esq., Chair
Mr. Thomas Davis, Lt. Col.
Mr. Mayowa Odusanya, Esq.
Mr. Jose I. Rasco, CPA

Non-Voting:

Dr. Richard H. Hinds, Associate Supt./CFO

Call to Order

The ABAC Vice Chair Jeffrey Shapiro called the meeting to order at 12:38 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions, and Moment of Reflection

Mr. Shapiro requested everyone in attendance to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Mr. James O'Donnell, ITS
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Raquel Alexander, Administrative Assistant
Mr. Luis M. Garcia, Deputy School Board Attorney	Mr. Jerold Blumstein, Administrative Assistant
Ms. Millie Fornell, Associate Superintendent	Ms. Jackie Fals, Administrative Assistant
Ms. Iraida Mendez-Cartaya Assistant Superintendent	Ms. Viviana Jordan, Administrative Assistant
Dr. Helen Blanch, Assistant Superintendent	Ms. Ana Lara, Administrative Assistant
Dr. Dan Tosado, Assistant Superintendent	Ms. Marisol Perez, Administrative Assistant
Ms. Enid Weisman, Assistant Superintendent	Ms. Dalia Rosales, Administrative Assistant
Mr. Jose F. Montes de Oca, Chief Auditor	Ms. Bertha Valcarcel, Administrative Assistant
Ms. Connie Pou, Controller	Ms. Lourdes Amaya, Administrative Aide
Ms. Daisy Naya, Assistant Controller	Ms. Elsie Berrios-Montijo, Administrative Secretary
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Ms. Lucila Gonzalez, Administrative Secretary
Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs	Ms. Corina Bethencourt, Intern, School Board Office
Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits	Mr. Felix Jimenez, OIG
Ms. Debbie Karcher, Chief Information Officer	Mr. Michael Costello, Director, KPMG
Mr. Jaime Torrens, Chief Facilities Officer	Mr. Donovan Maginley, Partner, McGladrey & PullenLLP

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Ms. Silvia R. Rojas, Treasurer	Mr. Manuel Alonso-Poch, Founder, A&M
Ms. Cynthia Gracia, Administrative Director	Ms. Cecilia Holloman, Board of Directors, A&M
Ms. Marta Montaner, Administrative Director	Mr. Jorge Suarez, AP, A&M
Ms. Tiffanie Pauline, Administrative Director	Ms. Ivelisse Berio LeBeau, Parent, A&M
Mr. Barry Meltz, District Director	Mr. Carlos M. Hernandez, Parent, A&M
Ms. Mindy McNichols, Asst. School Board Attorney	Ms. Monica Ruiz, Parent, A&M
Mr. Ivo Gomez, Claims Compliance Officer	Ms. Sonia Lopez, Cuban American National Council
Mr. Eugene Baker, District Director	Mr. Andres Pazos, Cuban American National Council
Mr. Javier Perez, Executive Director	Mr. Pablo Llerena, GLSC & Company
Mr. Jon Goodman, Director	Ms. Kathy McGrory, Herald Reporter
Ms. Tamara Wain, Director	Mr. Dan Ricker, Publisher and Editor
Mr. Luis Baluja, Supervisor	Ms. Sarah Gonzalez, Education Reporter

Mr. Shapiro announced that Mr. Frederick Thornburg was out ill and wished him a speedy recovery.

There was a moment of reflection.

2. Approval of the Minutes of the Audit and Budget Advisory Committee meeting of June 28, 2011

The Vice Chair drew the Audit Committee members' attention to the minutes for the ABAC meeting of June and noted a deletion of an extra word on page 4; paragraph 3. He asked whether any members had any other suggested revisions or questions relating to the contents of the proposed minutes.

A motion was duly made by Mr. Salver and seconded by Dr. Feldman to approve the proffered minutes to serve as the official memorialization of the June 28, 2011, meeting of the Audit and Budget Advisory Committee meeting. The motion carried unanimously.

EXTERNAL AUDITS:

3. Presentation of the Miami-Dade County Public Schools – Annual (un-audited) Financial Report Fiscal Year Ended June 30, 2011

Ms. Connie Pou, Controller, presented the report and informed the Committee that this report was approved by the School Board at its September 7, 2011 meeting and was subsequently submitted it to the Department of Education on September 9, 2011. She explained that this report highlights the District's financial operation for the 2010-11 fiscal year.

Ms. Kairalla expressed satisfaction with the financial position of the District, particularly considering all the financial difficulties the school system faced during this year and complimented Ms. Pou and her staff for a great job.

This report was for informational purposes only, since it was previously submitted to the School Board. Therefore, no transmittal to the School Board by the ABAC was required.

4. Presentation of the Financial Statements for The Foundation for New Education Initiatives, Inc. for the Year Ended June 30, 2010 and for the Period from Inception (November 24, 2008) to June 30, 2009

Ms. Iraida Mendez-Cartaya, Assistant Superintendent, presented the financial statements that were audited by Ms. Cynthia Borders-Byrd, LLC and stated that the audit concluded that the financial statements were presented fairly in all material respects and there were no audit findings to report.

Dr. Feldman inquired about the board of directors of this organization and asked why it's not noted in the report. Ms. Mendez-Cartaya stated that the members of the board of directors are listed on the organization's website but if the Committee wishes it may be included in the future reports.

The Committee expressed support for including the names of the members of the board of directors in next year's audit report.

Ms. Mendez-Cartaya explained that this organization was established in January 2008, as a not-for-profit corporation organized and operated as a Miami-Dade County School Board direct-support organization. The members of the board consist of the Superintendent, School Board Chair, the Miami-Dade County PTA President, and several individuals from the private sector.

There was no further discussion and upon a motion duly made by Dr. Feldman, seconded by Mr. Sanchez-Medina, that carried unanimously, it was recommended that the Financial Statements for The Foundation for New Education Initiatives, Inc. for the Year Ended June 30, 2010 and for the Period from Inception (November 24, 2008) to June 30, 2009 be received and filed by the School Board.

5. (a) Review of Audited Financial Statements for Fiscal Year Ended June 30, 2011 and Legal Opinion on Tax Exemption for *Life Skills Miami-Dade County and Opa-Locka, Renaissance Elementary and Middle Charter Schools*

Mr. Montes de Oca presented the financial statements on the above captioned entities and reminded the Committee that these financial statements had been tabled by the Committee pending receipt of a legal opinion from the School Board Attorney's Office to address the internal auditors' concerns. He then explained that the concerns centered around the schools' required not-for-profit status and their apparent lack of independence from their for-profit management companies.

Mr. Walter J. Harvey, School Board Attorney, provided the Committee his analysis about the concerns underlined in his memorandum and highlighted several points:

- Once the IRS approves an entity as a 501 (c)(3), the District may reasonably rely on that determination.
- Regarding the Renaissance and Life Skills Schools, no violation of their exemptions was found. However, there is a concern about the fee structure clause in the two Renaissance schools' management agreements with Charter Schools USA.
- Mr. Harvey opined that the District can have either of these provisions modified to provide reasonable safeguards or limits on compensation to the management company, or have the compensation to the management company regularly monitored.

After an enthusiastic debate, the Committee concurred that the compensation received by the management companies was not substantial enough to destroy the exempt status; however, the Committee determined that there appears to be a flaw in the contract language which may allow for the destruction of the tax exempt status of these charters.

Dr. Tosado, on behalf of the Superintendent, offered to review whether controls and procedures can be put in place to uniformly review compensation arrangements with management companies to prevent this matter from recurring. He then said he would report back to Mr. Montes de Oca and Mr. Harvey. The Committee accepted the offer.

There was no further discussion and upon a motion duly made by Ms. Kairalla, seconded by Dr. Feldman, that carried unanimously, it was recommended that the Review of Audited Financial Statements for Fiscal Year Ended June 30, 2011 and Legal Opinion on Tax Exemption for Life Skills Miami-Dade County and Opa-Locka, Renaissance Elementary and Middle Charter Schools be received and filed by the School Board and bring the matter to the attention of the School Board for its awareness and consideration.

5. (b) Review of Community Based Organization – Cuban American National Council, (CANC) Inc. Audited Financial Statements and Single Audit for the Fiscal Year Ended December 31, 2010

Mr. Montes de Oca presented the report and explained that since this entity has been experiencing financial difficulties for some time now, the ABAC has been monitoring it and CANC has provided periodic reports on their financial situation. Currently, CANC provided the **unaudited** financial statements for the six months ended June 30, 2011. Based on these statements, its net asset position increased by \$61,359 to \$223,263, and its unrestricted net asset position improved to \$(157,660).

There was no further discussion and upon a motion duly made by Dr. Feldman, seconded by Mr. Kemp, that carried unanimously, it was recommended that the Review of Community Based Organization – Cuban American National Council, (CANC) Inc. Audited Financial Statements and Single Audit for the Fiscal Year Ended December 31, 2010 be received and filed by the School Board.

6. Miami-Dade County Public Schools – ACH Transfer Process Assessment Findings and Recommendation Report

Mr. Michael Costello, the representative for KPMG, provided an overview of the objective, scope and approach of the assessment. He noted that controls evaluated were appropriate and that the few recommendations made to limit access to only those individuals who needed it, were implemented by the administration.

In response to a question, Mr. Costello remarked that they were satisfied with the actions taken by the administration to address KPMG's recommendations.

Several members of the Committee were very complimentary of Ms. Karcher and her team for a job well done.

This report was for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

INTERNAL AUDITS:

7. Office of Management and Compliance Audits 2011-2012 Audit Plan and Adopted Budget

Mr. Montes de Oca presented the 2011 Annual Report, which included the 2011-2012 Annual Audit Plan and Budget from the Office of Management and Compliance Audits (OMCA). He was pleased to point out three areas among many, where impressive accomplishments were achieved: 1) The property auditors inventoried \$377 million dollars worth of items and 99.85% of the property items were located; 2) The Civilian Investigative Unit, which investigates non-criminal cases, for the first time since the unit reports to OMCA eight years ago, closed 150 cases during the fiscal year and had zero cases pending at the end of the year; and 3) OMCA reviewed and presented 92 charter school financial statements, some of which the Committee has intensively discussed on many occasions.

Mr. Montes de Oca explained that in the Audit Plan he has incorporated the Audit of the School Board Members Offices, and noted that this audit was incorporated pursuant to a recommendation from the Committee Chair, which was unanimously approved by the Committee at its June 28, 2011 meeting. Mr. Montes de Oca said that he placed the audit of the School Board Members Office in the long range area, taking into consideration the amount of monies involved which is very small. He opined that other departments are more meritorious of the time that his office has available to perform audits, given the fact that he has lost some personnel just as other departments have.

Dr. Feldman complimented the work of the OMCA.

Mr. Salver asked how large is the budget of the Office of the School Board. Mr. Montes de Oca responded that the budget is \$2.7 million out of a \$3.9 billion budget for the entire

District. Mr. Salver asked if those accounts are audited as part of the engagement of the external auditor's annual plan. Mr. Montes de Oca referred that question to Mr. Maginley, Partner, McGladrey & Pullen LLP, who explained that he has presented the audit plan, which does not specifically include an audit of the School Board members office.

There was extensive discussion to include in the OMCA's Plan the financial audits of the School Board Attorney's Office, the Office of the Superintendent and the Office of Management and Compliance Audits, in addition to the Office of the School Board. The Committee agreed and suggested to the School Board to give consideration to include in the Plan financial audits of the School Board Attorney's Office, the Office of the Superintendent and the Office of Management and Compliance Audits.

There was no further discussion and upon a motion duly made by Mr. Kemp, seconded by Mr. Sanchez-Medina, that carried unanimously, it was recommended that the Office of Management and Compliance Audits 2011-2012 Audit Plan and Adopted Budget be received and filed by the School Board with consideration to include in the Plan financial audits of the School Board Attorney's Office, the Office of the Superintendent and the Office of Management and Compliance Audits, in addition to the audit of the School Board members office.

8. Internal Audit Report – Selected Schools

Ms. Gonzalez presented the report and explained that this is the first set of schools for the year and was happy to announce that all 46 schools received clean audits.

Dr. Feldman expressed much satisfaction with the results of the audits and complimented the administration and audit team, as this directly reflects the hard work by the schools' administration and the results of the various trainings provided to school personnel.

There was no further discussion and upon a motion duly made by Ms. Kairalla, seconded by Mr. Sanchez-Medina, that carried unanimously, it was recommended that the Internal Audit Report – Selected Schools be received and filed by the School Board.

9. Internal Audit Report – Network and Information Security, Information Technology Services Infrastructure and Systems Support Area II – Selected Schools

Mr. Williams presented the report and noted that this is the fourth in a series of reports that have been brought to the Committee. He informed the Committee that there is marked improvement when compared to prior audits, which he attributed to management's commitment towards a secure District network.

Ms. Kairalla asked if the computer technicians who are currently at the schools possess a sufficiently high degree of knowledge to discharge their responsibilities efficiently.

Ms. Karcher responded that the administration was fortunate to be able to rehire the best technicians.

There was no further discussion and upon a motion duly made by Ms. Kairalla, seconded by Dr. Feldman, that carried unanimously, it was recommended that the Internal Audit Report – Network and Information Security, Information Technology Services Infrastructure and Systems Support Area II - Selected Schools be received and filed by the School Board.

10. Internal Audit Report – Agreed Upon Procedures Cost to Administer Charter Schools

Mr. Montes de Oca presented the report and explained that this report contained a review of direct and indirect costs incurred by the District to provide support to the charter schools during the 2009-2010 fiscal year. He mentioned that this report was prepared, as requested by the School Board, by the District administration and reviewed by the Office of Management and Compliance Audits. After providing some details and addressing a few questions posed by the Committee members, Mr. Montes de Oca explained that the administration asserted that it accounted for direct and indirect costs of \$6 million associated with monitoring compliance and providing oversight and support to charter schools during fiscal year 2009-2010. He then indicated that after applying certain agreed upon procedures OMCA recommended, and the administration accepted, fifteen adjustments to the costs identified by management were allowed, resulting in a net reduction of \$106,565. These adjustments brought the reported cost to \$5.9 million.

Ms. Kairalla indicated her satisfaction with the information provided; however, she would like a report indicating the monies collected from charter schools and the percentage M-DCPS receives.

Mr. Montes de Oca noted that the request did not include a review of the revenue received by M-DCPS, only the cost. He further noted that to review that information, it would involve a lot more work and would have delayed the submission of the report.

There was some more discussion relating to the revenues incurred by M-DCPS from the charter schools and Dr. Hinds explained that he had the budget office estimate the revenues for 2009-2010 at \$7 million, and projected revenue for 2010-2011 and 2011-12 at \$5.7 million and \$5.59 million, respectively.

There was no further discussion and upon a motion duly made by Mr. Sanchez-Medina, seconded by Mr. Salver, that carried unanimously, it was recommended that the Internal Audit Report – Agreed Upon Procedures Cost to Administer Charter Schools be received and filed by the School Board.

OTHER REPORTS:

11. Results of the Peer Review of the Miami-Dade County Public Schools, Office of Management and Compliance Audits

Mr. Montes de Oca presented the results of the Peer Review of the Office of Management and Compliance Audits which was conducted by the Association of Local Government Auditors. He noted that the review contained an unqualified opinion, which is the highest degree of compliance that can be obtained.

Ms. Kairalla complimented Mr. Montes de Oca and his team for a job well done.

This report was presented for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

12. Office of Management and Compliance Audits' (OMCA) Activity Report

Mr. Montes de Oca explained that this report is for informational purposes only and it contains an update of the OMCA's completed and ongoing projects.

This report was presented for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

FOLLOW-UPS

13. Follow-Up Review of the 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

Mr. Montes de Oca noted that this review was conducted at the request of the Committee at a prior meeting. He explained that the results of this review determined the status of implementation by the District administration on the recommendations made by the State of Florida Office of the Auditor General in its Operational and Single Audit reports conducted for the 2009-2010 fiscal year. He then explained that given the timeframe in which the implementation took place he was pleased to inform the Committee that out of the 25 recommendations made, 10 were fully implemented and 15 were partially implemented.

Mr. Kemp congratulated the administration about the fact that the \$7.5 million questioned costs relating to capital outlay millage tax levy proceeds were waived by the Department of Education.

Mr. Kemp then referred to page 7 of the report and asked why the evaluation systems are reviewed on annual basis.

Ms. Weisman responded that the annual review is statutorily required.

There was no further discussion and upon a motion duly made by Dr. Feldman, seconded by Ms. Kairalla, that carried unanimously, it was recommended that the Follow-Up Review of the 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 be received and filed by the School Board.

14. Follow-Up Review of Maintenance Materials, Equipment, Supplies Purchase Use

Mr. Montes de Oca noted that this follow-up was made to determine the status of management implementation of recommendations made by his office in September 2007 and explained that although not timely, management fully implemented all four prior audit recommendations. He complimented Mr. Torrens and his staff for a job well done.

There was no further discussion and upon a motion duly made by Mr. Salver, seconded by Dr. Feldman, that carried unanimously, it was recommended that the Follow-Up Review of Maintenance Materials, Equipment, Supplies Purchase Use be received and filed by the School Board.

15. Election of Chair and Vice Chair

Mr. Montes de Oca noted that the elections of Chair and Vice Chair are conducted annually as provided in the School Board Rule governing the ABAC and he then opened the floor for nominations. Mr. Jeffrey Shapiro was nominated for Chair by Ms. Kairalla and Mr. Willie Kemp was nominated for Vice Chair by Dr. Feldman, these were the only nominations and both members were unanimously elected by their peers.

OLD BUSINESS

As an update to the Minority Women Business Enterprise (MWBE) developments, Ms. Kairalla informed the Committee that the MWBE has several scheduled upcoming meetings and she will report any developments at the next scheduled Committee meeting.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Shapiro at 2:06 p.m.