

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
September 8, 2009**

The School Board Audit Committee met on Tuesday, September 8, 2009 at 12:30 p.m. in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Ms. Betty Amos, Chair
Mr. Robert Schomber, Vice Chair
Ms. Perla Tabares Hantman, Board Member
Mr. Manuel A. Gonzalez
Ms. Susan Marie Kairalla
Ms. Wendy Lobos
Mr. Frederick F. Thornburg, Esq.
Mr. Nick Tootle

Non-Voting:

Dr. Richard H. Hinds
Mr. Jose F. Montes de Oca

Members Absent:

Mr. Willie Kemp
Mr. Peter A. Lagonowicz

Call to Order

Ms. Amos called the meeting to order at 12:36 p.m.

Introductions

Ms. Amos asked everyone to introduce themselves. The following persons were present:

Dr. Marta Perez, School Board Vice Chair	Ms. Silvia R. Rojas, Treasurer
Mr. Lawrence Feldman, School Board Member	Dr. Marcos M. Moran, Regional Superintendent
Mr. Alberto M. Carvalho, Superintendent of Schools	Dr. Helen Blanch, Administrative Director
Mr. Walter J. Harvey, School Board Attorney	Ms. Charlene Burks, Administrative Director
Mr. Freddie Woodson, Deputy Superintendent	Ms. Rose Barefield-Cox, Administrative Director
Ms. Milagros Fornell, Associate Superintendent	Ms. Cynthia Gracia, Administrative Director
Ms. Vera Hirsh, Assistant Superintendent	Mr. Will Gordillo, Administrative Director
Ms. Maria Teresa Rojas, Assistant Superintendent	Mr. Jerry Klein, Administrative Director
Dr. Daniel Tosado, Assistant Superintendent	Ms. Marta Montaner, Administrative Director
Ms. Enid Weisman, Assistant Superintendent	Ms. Penny Parham, Administrative Director
Ms. Judith Marte, Chief Budget Officer	Ms. Joanne Urrutia, Administrative Director
Mr. Jaime C. Torrens, Chief Facilities Officer	Ms. Mindy McNichols, Senior Attorney
Mr. Nicolas Betancourt, Sr. Design & Constr. Officer	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Ms. Deborah Karcher, Chief Information Officer	Mr. Trevor L. Williams, Asst. Chief, Operational Audits
Ms. Connie Pou, Controller	Ms. Rose Martin, District Director
Ms. Daisy Naya, Assistant Controller	

Attendance Continued

Mr. Antonio Martinez, District Director
Mr. Julio C. Miranda, District Director, OM&CA
Mr. Laurence White, District Director
Ms. Madeleine Rodriguez, Executive Director
Ms. Magi Betancourt, Director
Ms. Nicki Brisson, Director
Ms. Arlene M. Diaz, Director
Mr. Jon Goodman, Director, OM&CA
Ms. Tammy Reed, Director
Ms. Tamara Wain, Director, OM&CA
Mr. Dylan Hughes, Supervisory Special Agent
Mr. Henri Cepero, Instructional Supervisor
Mr. Luis Baluja, Audit Supervisor, OM&CA

Mr. Jerold Blumstein, Administrative Assistant
Ms. Jackeline Fals-Chew, Admin. Assistant
Ms. Viviana A. Jordan, Administrative Assistant
Ms. Glendys Valls, FTE Support Specialist
Ms. Lourdes Amaya, Admin. Asst.
Ms. Elsa Berrios-Montijo, Admin. Secr.
Ms. Sheryl Ragoo, Admin. Secr.
Ms. Sonia Lopez, Exec. V.P., CNC
Mr. Andres Pazos, CFO, Cuban American Nat'l
Mr. Carlos Trueba, CPA, Cuban American Nat'l
Ms. Nicki Salfer, Manager, TOKLA
Ms. Judy Abrams, Volunteer, TOKLA

1. Approval of the Minutes of the Audit Committee meeting of June 23, 2009

The motion was made by Mr. Thornburg and seconded by Ms. Hantman to approve the minutes of the June 23, 2009 Audit Committee meeting. The motion carried unanimously.

2. Introduction of New Audit Committee Member – Mr. Rayfield McGhee, Esq.

The Chair introduced the newly appointed Audit Committee Member, Mr. Rayfield McGhee. Mr. McGhee noted that it was a pleasure and an honor to be appointed by Dr. Stinson as a member of the Audit Committee and he acknowledged that this position has serious duties and obligations to the School District. He expressed his readiness to meet the challenge of executing fiduciary duties both to the School Board and the School District.

The Chair welcomed the newly appointed School Board Attorney, Mr. Walter Harvey who said he is pleased to be part of the M-DCPS team.

Ms. Amos recognized and thanked Mr. Luis Garcia for all his hard work and wise counsel during his period as Interim School Board Attorney.

EXTERNAL AUDITS:

3. Annual (un-audited) Financial Report for 2008-2009

Ms. Pou introduced the report and explained the different sections of the report. She pointed out the substantial increase in the Fund Balance, which was as a result of the new administration's considered effort to bring fiscal improvement to the District.

Mr. Carvalho seized the opportunity to update the Committee and provided a summary of the 08-09 fiscal year from the budget perspective. He briefly explained the 4 points that were certainly characterized and contained in the report and stated he is proud of the work staff

performed and the support and guidance the Board has provided to his administration, but first and foremost, the freedom to do what was needed to fix what was a very complex and somewhat broken budget. Mr. Carvalho reminded the Audit Committee that only 11 months ago the district closed the previous fiscal year with fund balance of only \$5.9 million.

In addition, there were statewide budget reductions over the previous 12 months and subsequent 11 months of about \$400 million. He complimented Dr. Hinds for a remarkable turnaround recovery of the year-end fund balance, that was projected at \$56 million and actually grew to \$58 million. Mr. Carvalho noted that all of this was accomplished while also creating two new employee protection funds, totaling \$50 million. He explained that collective bargaining negotiations are taking place and it is the intent of his administration, should these reductions come about to offset the escalating cost in healthcare, as well as consider the expansion of employee benefits. He concluded by observing that the creation of a local tax roll protection fund of \$25 million proved to be a wise decision by the School Board, because tax rolls decreases resulted in revenues reduction by \$33 million.

Ms. Amos thanked the administration, the Board and everyone who has worked to help accomplish this task. She noted that it has been amazing what has taken place in less than one year's time. Ms. Amos offered a round of applause.

Ms. Lobos echoed the sentiments expressed by Mr. Carvalho and noted that it has been an incredible turnaround. She also said she remembered the negative media coverage during the closing of the last fiscal year. She congratulated the administration and asked Mr. Carvalho how he foresees filling in the financial gap.

Mr. Carvalho responded that it was a State-level decision to remove state funding and replace it with federal funding; therefore, it is also the state's responsibility to come up with long-term solutions for funding education.

Ms. Hantman added her gratitude to the administration for their efforts.

Mr. Thornburg also endorsed and echoed the well-deserved and earned kudos proffered by Ms. Hantman and Ms. Lobos. He also extended accolades to Dr. Hinds for all of his successful and creative endeavors in helping turn around the financial posture and status of the school district.

There was no action required, since this item was transmitted for informational purposes only.

4. State of Florida Auditor General Report No. 2010-002 – Miami-Dade County District School Board Florida Education Finance Program (FEFP) Full-time Equivalent (FTE) Students and Student Transportation for the Fiscal Year Ended June 30, 2008

Mr. Montes de Oca explained that his office served as a liaison to the Auditor General in coordinating the responses from the staff and noted that he was told unofficially that these were the best responses received by the Auditor General.

Mr. Woodson noted what occurred two years ago when the FEFP audit report contained a \$1.6 million assessment. At that time, the Audit Committee expressed their concern and asked how this dollar amount could be reduced. Mr. Woodson noted that now the reduction was slightly more than one-half of a million dollars. He noted that the actions taken included the performance of internal audits at the school sites in the FTE area, which have provided management with recommendations for improvement. He also pointed out that this District compares very favorably in the overall assessment with other counties in Florida even though these counties have fewer numbers of students and schools.

Ms. Burks added that training was conducted for all employees and noted that the trainings were successful, as evidenced by the reduction.

There was some more discussion related to ESE, ESOL, and school bus ridership. Staff responded to questions posed by Audit Committee members.

Dr. Feldman pointed out that on the issue of items not being found, principals may have a concern with that, and he suggested there should be some helpful monitoring.

Referring to page 107, Dr. Feldman asked if the issue with ID courses had been addressed.

Ms. Burks responded that programmers are preparing the system to only accept the courses identified by the State, and noted that it changes every year.

Dr. Feldman asked who is responsible for addressing follow-ups on FTE reports of the Auditor General to make sure procedures are being followed.

Ms. Burks responded that her staff follows-up and trains new personnel responsible for maintaining FTE records.

Dr. Feldman asked if the findings of the Office of Management and Compliance Audits are shared with the Auditor General.

Ms. Gonzalez responded that as a matter of practice the findings are not directly shared; however, all material provided to the Audit Committee is sent to the Auditor General and these findings are a matter of public records.

The Committee was grateful for and impressed by the substantial progress made by the District and noted that there is still room for improvement. The Committee voted to accept this report.

5. Review of Community Based Organization Financial Statements as of December 31, 2008 – Cuban American National Council, Inc.

Mr. Williams introduced the audited financial statements of the Cuban American National Council, Inc., and Affiliates (the Council), for the year ended December 31, 2008. He stated that in response to the request of the Office of Management and Compliance Audits, the Council submitted a deficit reduction plan, detailing actions taken to improve its financial condition and the plan's status through March 31, 2009.

Substantive discussions concerning the audited financial statements and deficit reduction plan ensued, wherein, Ms. Lobos inquired about the closing of the refugee center and the increase in the management company fees. Ms. Sonia Lopez, Executive Director of the Council indicated that the Refugee Center's operations were consolidated. Additional, general comments from Mr. Trueba, Mr. Tootle and Mr. Williams collectively indicated that the management company fees relate to the real estate activities of the Council, not the educational component, and are presented in the statements due to the consolidation process.

Mr. Thornburg commented regarding the increased accounts receivables and liabilities. Ms. Lobos also commented about the Council's net assets deficit and why the Council is being asked to address this deficit, if it is for that organization as a whole and not simply for the Council's educational program. Mr. Trueba indicated that the liabilities were now paid. Mr. Williams added that he was asked to address the net assets deficit only because a detailed balance sheet and statement of activity was not presented for the Council's educational program.

There was no further discussion. A motion was made by Mr. Gonzalez, seconded by Mr. Thornburg, and carried unanimously, to recommend that the Council's audited financial statements and deficit reduction plan be received and filed by the School Board and for the Council to provide an updated status report on its deficit reduction plan through September 2009.

INTERNAL AUDITS:

6. Reports from the Council of the Great City Schools (Review of the Department of Transportation and Review of the Department of Food & Nutrition)

Mr. Montes de Oca introduced the report and noted that the Superintendent requested the Council of Great City Schools (the Council) to conduct a high-level management review of its transportation operation; and provide recommendations that would assist the District achieve greater operational efficiencies and effectiveness. He pointed out that this report was already transmitted to the School Board.

Mr. Carvalho introduced the report and reiterated that this peer review had been requested by M-DCPS administration. He noted that the most salient recommendations require collective bargaining negotiations and that others that involve policy issues are already being addressed by the School Board.

Dr. Tosado spoke briefly on the recommendations that have been identified and explained their corrective action plan.

Ms. Hantman inquired why were buses sometimes used to transport only one or two students.

Dr. Tosado responded that sometimes decisions made by the District did not consider transportation consequences.

Mr. Carvalho noted that some of the issues noted in the report were the results of poorly negotiated labor contracts that do not make any sense.

Dr. Feldman noted that it is not fair for the State to only reimburse \$30 million of the \$111 million spent by the district.

Mr. Schomber commended the Superintendent for asking the Council to conduct the review, and asked for a more specific follow up on what will be implemented including the dollar value of the implementation.

Dr. Moran explained the issue with the FTE that was discussed earlier. He noted that in previous years there was not a method in place to capture eligibility of students, so many parents were not aware that there was transportation available. Since this year there is a method in place, they intend to identify those students. In addition, Dr. Moran congratulated Mr. Klein and staff, for being open and proactive in developing cost savings methods.

After some discussion, Mr. Schomber requested and the Committee agreed for a follow-up on management's corrective action plan at such time as the administration considered opportune.

The report was for informational purposes only; therefore, no action by the Audit Committee was required.

7a. 2009-2010 Annual Report on Audit Activities and Adopted 2010 Budget

Mr. Montes de Oca introduced the 2009-2010 Audit Plan and Adopted Budget for the Office of Management and Compliance Audits and noted that this report was brought to the Committee in a proposed form at the June Audit Committee meeting and in the interest of time he would entertain any questions.

Dr. Feldman complimented the schools in the South Central area, noting their phenomenal record of no audit exceptions. He suggested replicating their techniques, as best practices for the rest of the schools to follow, and asking principals with good track records in

managing their finances to assist other principals throughout the district. Dr. Feldman asked why the number of schools receiving audits were going to be reduced and how it was going to be determined.

Mr. Montes de Oca explained that he is going to use the available resources in his office to provide the biggest coverage in areas where there is more money and larger risks. Therefore, there will be a shift in emphasis from internal funds audits to areas such as Title I funds that have increased substantially and also add a new component to the school audits, which will be school budgets. The latter is being done because large amounts of funds that are associated with the schools' budgets and to provide the Audit Committee with some comfort in its potential new role of also overseeing the budget process. As far as how schools will be selected for audit, Mr. Montes de Oca explained, it will be a function of risk assessment as in those schools with changes in principals; history of audit exceptions or clean audits; and the amount of dollars received and disbursed by the schools.

Some Board members made inquiries regarding the Civilian Investigative Unit (CIU), and whether this department is necessary.

Ms. Hantman noted that Mr. Montes de Oca should take under consideration the concerns voiced by the three Board members present.

Mr. Montes de Oca agreed.

After several questions and a lengthy discussion about the role and cost to operate CIU, the Committee requested a follow-up report regarding the function of the CIU, whether it should continue to exist in the same format, and whether it should continue to report to the Office of Management and Compliance Audits.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Mr. Gonzalez, and carried unanimously, to recommend that the 2009-2010 Annual Report on Audit Activities and Adopted 2010 Budget be received and filed by the School Board.

7b. Office of Management and Compliance Audits Activity Report

Mr. Montes de Oca noted that this time, the activity report is encompassed in item #7a.

8. Internal Audit Report – Selected Schools

Ms. Gonzalez presented the report and noted that it includes the results of 45 schools and centers currently reporting to various region centers and selected district offices, including 21 schools where there was a change of principals. At all 45 schools, there was general compliance with prescribed policies and procedures and site records were maintained in good order. Clearly, there were no audit exceptions.

Dr. Feldman commended the administration for a job well done.

Mr. Montes de Oca added that letters are being sent from the Superintendent to the principals congratulating them.

There was no further discussion. A motion was made by Ms. Lobos, seconded by Mr. Thornburg, and carried unanimously, to recommend that the Internal Audit Report – Selected Schools be received and filed by the School Board.

9. Internal Audit Report – Audit of Tree of Knowledge Academy (TOKLA)

Mr. Williams introduced the report and provided some brief background information on the above mentioned school and explained that this school provides services to at-risk students and students with disabilities at home and hospital bound. He noted that as a request by the District's School Operations office, an audit was conducted to determine the adequacy of controls over FTE funding provided to the TOKLA for the 2008-09 fiscal year, and the propriety of its use.

Mr. Goodman then noted that the biggest recommendation was for disallowance of \$106,685 in program funds, out of the total \$591,574 that the school received, and briefly explained the four items that formed the basis of this recommendation. He indicated that the school generally concurred with the audit findings and recommendations, but cited mitigating factors.

Mr. Williams pointed out that subsequent to the audit and discussion on the findings with the school, the board of directors voted to surrender the schools' charter.

Dr. Feldman expressed concern about the probabilities of the district receiving these funds back and whether the district will be held responsible if the funds are not returned.

Mr. Carvalho explained that it is the district's intent to exercise the right to have these funds restituted to the State.

A motion was made by Mr. McGhee and seconded by Mr. Tootle that carried unanimously, to recommend that the School Board Attorney pursue legal action, as may be deemed appropriate, to recover these funds.

Ms. Nicki Salfer, representative of TOKLA, objected to certain findings and conclusions reached in connection with the internal audit report and indicated she had additional supporting documentation that should be included in the audit report.

Mr. Montes de Oca stated that the school had been given ample time to provide responses during the audit process that the school had in fact provided a response and he was not willing to accept any additional documentation.

After further discussion, a motion was made by Ms. Lobos, seconded by Mr. Thornburg, that carried unanimously, to recommend that the Internal Audit Report – Audit of Tree of Knowledge Academy (TOKLA) be received and filed by the School Board.

OTHER REPORTS:

10. Inspector General Report – IG09-18SB – Leak of Non-Public Information Derived from the January 30, 2009 Executive Session of the School Board

Mr. Harvey introduced the report and deferred to Mr. Luis Garcia for presentation, since he was the attorney involved in this matter and is intimately familiar with the details.

Mr. Garcia explained that this report was prepared by the Office of the Inspector General (OIG), and contains the results of an investigation regarding the leak of non-public information obtained during an executive session of the M-DCPS School Board. Mr. Garcia read from the report the recommendations made by the (OIG) and noted that as a result of this investigation, and what took place at the January 30, 2009 meeting, the School Board adopted a new board rule that codifies the process for executive sessions and establishes the penalties for violating or disclosing the confidential nature of the deliberations. Mr. Garcia also pointed out that it was at the initiative of Ms. Hantman, that the School Board promulgated this rule.

Ms. Hantman voiced her disappointment with the outcome of the investigation, noting that attendees of the Executive Session were interviewed under oath, which would result in perjury if a person was found to be lying. Ms. Hantman also said that the recommendation not to hold executive sessions in the future in order to avoid this situation from reoccurring made no sense, since executive session is the only way the School Board has to talk freely and openly with the administration and its attorney.

Dr. Feldman inquired about the cost and the amount of time it had taken the OIG to complete the investigation. He also suggested that there be something in writing that attendees to these sessions have to sign, so that they understand that non-compliance will be punishable. Dr. Feldman concluded that this investigation was a waste of time and money.

Mr. Thornburg pointed out that this item was presented to the Ethics Advisory Committee (EAC) and the EAC was equally troubled by the outcome.

The Committee voiced its appreciation for having the report brought to its attention. Because the report was for informational purposes only, no action by the Audit Committee was required.

FOLLOW-UPS

11. Inspector General Report – IG09-10SB M-DCPS Office of Schools Facilities, Construction Contract Monitoring Practices at Southside Elementary School

Mr. Torrens explained that this follow up was presented pursuant to a request by the Audit Committee on an Inspector General report dated June 22, 2009, Investigation of M-DCPS Office of School Facilities, Construction Contract Monitoring Practices at Southside

Elementary School. Mr. Torrens summarized staff's response which established additional procedures for construction site compliance monitoring.

The Committee proffered its satisfaction with the responses and accepted them.

The report was for informational purposes only; therefore, no action by the Audit Committee was required.

12. Report on 2009-2010 General Fund Budget Process Development and Amended School Board Rule – District Budget-Responsibility of Superintendent of Schools (Oral Presentation)

Ms. Judith Marte, Chief Budget Officer, made a highly informative presentation on the Budget Development Process. The Committee emphasized its great appreciation for the oral report and congratulated Dr. Hinds and Ms. Marte for their outstanding performance in completing the challenging task of preparing the annual budget, during an extraordinarily difficult year.

This presentation was for informational purposes only; therefore, no action by the Audit Committee was required.

13. Update on Enterprise Resource Planning (ERP) Project Status Report for the Period Ending July 2009

Mr. Carvalho succinctly summarized for the Committee the status of the Enterprise Resource Planning (ERP) Project as being on time and under budget. The Committee was very pleased with the good news and extended its appreciation to the Superintendent and his staff for their successful and outstanding endeavors in bringing the project back into line.

This update was for informational purposes only; therefore, no action by the Audit Committee was required.

14. Update Proposed Audit and Finance Committee Board Rule

This item was deferred until the next Audit Committee Meeting.

OTHER BUSINESS:

15. Election of Chair and Vice Chair

Before the elections took place Ms. Amos informed the audience that due to increasing demands on her time from her business responsibilities, she regrettably had to resign her membership in the Audit Committee; therefore, she should not be considered for the Chair or Vice Chair positions.

The Superintendent, Mr. Schomber and Ms. Hantman thanked Ms. Amos for her contributions during tenure as a member of the Audit Committee.

Pursuant to parliamentary procedures, Mr. Montes de Oca opened the floor for nominations of the Chair. Mr. Gonzalez nominated Mr. Thornburg; Ms. Hantman seconded the nomination. Mr. Montes de Oca asked if there were any other nominations. There been none, Mr. Montes de Oca asked for those voting in favor of the nomination to signify by saying "ay". The voting was unanimous in favor of Mr. Thornburg. Mr. Montes de Oca then opened the floor for nominations of the Vice-Chair. Ms. Hantman nominated Mr. Gonzalez; Mr. Thornburg and Ms. Lobos simultaneously seconded the nomination. Mr. Montes de Oca asked if there were any other nominations. There been none, Mr. Montes de Oca asked for those voting in favor of the nomination to signify so by saying "ay". The voting was unanimous in favor of Mr. Gonzalez.

Adjournment

Ms. Amos adjourned the meeting at 4:07 p.m.