

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
September 29, 2015**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, September 29, 2015, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Roland Sanchez-Medina, Jr., Esq., Chair
Mr. Rayfield McGhee, Jr., Esq., Vice Chair
Dr. Lawrence S. Feldman, School Board Vice Chair
Ms. Marian L. Hasty, Esq.
Ms. Susan Marie Kairalla
Mr. Ernie Saumell, CPA
Mr. David Schwartz
Mr. Christopher Norwood, J.D.
Mr. Erick Wendelken, CPA

Members Absent:

Mr. Nestor Caballero, CPA MST CGAP
Mr. Juan del Busto
Mr. Joseph Gebara, PTSA/PTA President
Mr. Albert Lopez, CPA
Mr. Isaac Salver, CPA

Non-Voting:

Mrs. Judith M. Marte, Chief Financial Officer (Absent)

Call to Order

The ABAC's Chair Mr. Roland Sanchez-Medina called the meeting to order at 12:35 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

The Chair requested all in attendance to introduce themselves, which they did. The following persons were present:

Ms. Lubby Navarro, School Board Member
Ms. Raquel Regalado, School Board Member
Dr. Marta Pérez Wurtz, School Board Member
Mr. Walter J. Harvey, School Board Attorney
*Mr. Jose Dotres, Chief Human Capital Officer
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer
Ms. Daisy Gonzalez-Diego, Chief Communications Offr.
Mr. José F. Montes de Oca, Chief Auditor
**Ms. Connie Pou, Controller
Mr. Jaime G. Torrens, Chief Facilities Officer
Ms. Melody Thelwell, Chief Procurement Officer
*Representing Mr. Alberto M. Carvalho, Superintendent
**Representing Mrs. Judith M. Marte, CFO

Mr. Luis Garcia, Deputy School Board Attorney
Ms. Mindy McNichols, Asst. School Board Attorney
Ms. Joyce Castro, Assistant Superintendent
Ms. Tiffanie Pauline, Assistant Superintendent
Dr. Ana M. Rasco, Assistant Superintendent
Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Julio Miranda, Asst. Chief, Investigations
Mr. Trevor L. Williams, Asst. Chief, District Audits
Mr. Leonardo Fernandez, Treasurer
Ms. Daisy Naya, Assistant Controller
Ms. Tabitha Fazzino, Administrative Director

Mr. Ivo Gomez, Claims Compliance Officer
Ms. Cynthia Gracia, Administrative Director
Ms. Melissa Latus, Administrative Director
Ms. Olga V. Botero, Executive Director
Mr. Jon Goodman, Executive Audit Director
Ms. Terri Chester, Executive Director
Ms. Michelle Denis, Budget Supervisor
Ms. Tamara Wain, District Supervisor
Mr. Luis Baluja, Supervisor
Ms. Elvira Sanchez, Audit Coordinator
Ms. Alice Margolis, Budget Analyst
Ms. Jackeline Fals, Chief of Staff
Ms. Marisol Marin, Administrative Assistant
Ms. Maloy C. Morales, Administrative Assistant
Ms. Maria Teresa Rojas, Administrative Assistant
Ms. Dalia Rosales, Administrative Assistant
Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Lucila I. Gonzalez, Administrative Secretary
Ms. Lawandra Houston, District Adm. Asst.
Ms. Mary Cagle, Inspector General
Mr. Felix Jimenez, Assistant Inspector General
Mr. Ed Carberry, OIG, Supervisor Special Agent
Mr. Thomas Knigge, OIG, Supervisor Special Agent

Mr. Jennifer Chirolis, OIG, Special Agent
Mr. Archie Moore, OIG, Special Agent
Mr. Ozzie Romero, OIG, Special Agent
Ms. Marie Perikles, OIG, Attorney
Ms. Arleen Stanek, OIG, Auditor
Mr. Daniel J. Garo, Clerical Assistant
Ms. Jennifer Rojo Suarez, Clerical Assistant
Mr. Donovan Maginley, Partner, McGladrey LLP
Mr. Richard Garcia, Charter School USA
Mr. Ed Pozzuoli, Esq., KGCHS
Mr. William G. Benson, Keefe McCullough
Mr. Ken Haiko, Renaissance Charter School
Mr. Levi Williams, Esq., Renaissance
Mr. Dan Ricker, Watchdog Report
Ms. Christina Veiga, Reporter
Mr. Tony Pepitone, WTVJ, Reporter
Mr. Pedro Cancio, WTVJ, Camera Man
Ms. Yanela Garcia, Assistant to Ms. Kairalla

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of July 9, 2015

The Chair drew the members' attention to the minutes for the ABAC meeting of July 9, 2015, and asked whether any members had any suggested revisions or questions related to the contents of the proposed minutes.

Mr. Schwartz moved and Mr. Wendelken seconded the approval of the minutes to serve as the memorialization of the July 9, 2015, ABAC meeting. The motion carried unanimously.

AUDIT REPORTS:

3. Miami-Dade County Public Schools – Annual (un-audited) Financial Report Fiscal Year End June 30, 2015

Ms. Connie Pou, Controller, presented the above-referenced report. She noted that it was approved by the School Board at its September 9, 2015, meeting and explained that this report represents the District's unaudited financial statements. She was pleased to inform the Committee that thanks to the leadership of the School Board and the Superintendent in reducing costs, the District is in a very good financial position.

Ms. Kairalla gave accolades to Financial Services Operations, the administration, and the entire school system for the strong financial leadership.

There were no questions. This report was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

4. Office of the Inspector General for Miami-Dade County Public Schools

a) Inspector General Report – Review of the Value Adjustment Board, IG14-13

Mr. Montes de Oca introduced the above-mentioned report and reminded the Committee that this report is part of a three-prong approach to the revenue shortfall for M-DCPS. He reminded the audience that his office previously presented phase 1 and Phase 2 of the Value Adjustment Board Audit that was requested by the Superintendent, recommended by the Committee and approved by the School Board. He introduced Ms. Mary T. Cagle, Inspector General, who presented her Review of the Value Adjustment Board.

Ms. Cagle explained that this review had been requested by the Superintendent and was conducted, in partnership with the audits performed by the Office of Management and Compliance Audits (OMCA), to determine the causes for the multimillion dollar real estate tax revenue shortfalls. She further explained that these short falls have resulted from delays in certification of tax rolls and have plagued the District for the last several years. She pointed out that her investigation also included determining whether agents were filing petitions without proper authorization and whether there were improper relationships between tax agents and special magistrates who rule in appealed cases. Ms. Cagle concluded in her review that petitions filed without proper evidence of authorization was so minimal that they were not a contributing factor in the delays and that improper relationships were not detected. However, they established that the provision allowing for a one-time rescheduling without cause, negatively impacted the time needed to certify the tax rolls. In addition, she detailed historical and systematic conditions which laid the foundation for the current two-year delay. Lastly, Ms. Cagle noted her request to the VAB and the Property Appraiser to provide her with a status report within 90 days, detailing actions that will be taken to address each of her sixteen recommendations. Ms. Regalado, who was recently appointed to represent the School Board at the VAB, explained that all the recommendations that were made in the prior audit (conducted by the OMCA) have been implemented and that she has been involved in assisting the VAB in the development of its manual and overseeing some of the much needed improvements that are taking place. Committee and School Board members expressed their appreciation for the contents of the report and the detailed presentation. They also registered frustration with the lack of process and inefficiencies at the VAB and the Property Appraiser's office.

b) Inspector General Report – Administrative Case Closure Report Ref. IG#SB-1213-1004

Ms. Cagle noted that the above-mentioned report was informational and offered to answer any questions. There were no questions.

c) Inspector General Report – M-DCPS Administration of Miscellaneous Continuing Contracts Awarded to Construction Management AT-Risk Firms Ref. SB1314-1002

Ms. Arleen Rose Stanek, Auditor, OIG, made a presentation on the above-mentioned audit and explained that this audit was performed as a precursor to future OIG oversight of the \$1.2 billion General Obligation Bond Capital Improvement Program. She then noted that the audit resulted in one finding and five observations. She further explained that the administration concurred with the recommendations and has begun processes to address the recommendations. Ms. Stanek was pleased with M-DCPS prompt and thorough response to the audit.

Mr. Sanchez-Medina asked Mr. Harvey to provide an update on what has transpired with the VAB audit relating to the overbilling issue.

Mr. Harvey explained that during the course of the audit his office was very much involved in the process and since the audit became public his office has retained an attorney, who is an expert on this area of law, and he is reviewing the issues. He further explained that shortly, he will be providing a written document relating to their overall strategy to the School Board. In addition, correspondence has been sent to the county and no response has been received. Mr. Harvey noted that in order to protect the School Board's interest they will continue to move forward in resolving this overbilling issue.

Dr. Feldman expressed his satisfaction relating to Mr. Harvey's endeavor in resolving the overbilling issue and offered a motion to support the recommendations noted in the OIG VAB Report and requested a status report back to the Committee. Ms. Kairalla seconded the motion, which carried unanimously.

There were no further questions. These reports were presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

5. Charter School Matters

a) **Audit of Selected Financial, Real Estate and Operational Transactions and Contractual Arrangements: Keys Gate Charter High School**

Mr. Montes de Oca introduced the above-referenced report and explained the procedures of how reviews of the charter school financial statements are conducted. He then explained that if concerns arise during these reviews, OMCA brings these concerns to the attention of the ABAC and with Committee's consent an audit is then conducted to address these concerns and then bring the results of the audit to the Committee. Mr. Montes de Oca introduced the audit staff who conducted the audit. In addition, he noted that the report includes six findings and ten recommendations, and with the understanding that everyone has read the report, he informed the Committee that there are members of the school administration in the audience available to answer any questions.

Dr. Feldman expressed concern about some of the issues noted in the report and asked about the School Board's legal responsibilities regarding noted violations.

Mr. Harvey stated that he has two major concerns based on the findings in the report. One has to do with the \$500,000 payment for which the auditee would not provide support, which brings into question the character and purpose of that payment and whether it is contrary to School Board policies, which in his opinion requires further follow-up. His other concern is the fact that some other records requested by the auditors were not provided by the auditee and a determination needs to be made as to whether these records are public.

There was some discussion relating to tabling the above-referenced audit report. Mr. Montes de Oca stated that the audit has gone as far as it needs to go and no further financial information can be gathered by the audit process. He believes the Committee should transmit the report to the School Board to formally inform the members of the issues and, if Mr. Harvey discovers any issues he deems appropriate to report, Mr. Harvey should then provide a follow-up transmittal to the School Board and Committee. Mr. Montes de Oca respectfully requested that the report to be transmitted to the School Board.

After some more discussion, at the request of the Committee, Mr. Harvey agreed to meet with the auditors and attempt to determine the propriety of the payment and the public status of the other records. He was asked to provide the School Board and the Committee with his follow up by the next School Board meeting.

There were no further comments. A motion was made by Mr. Wendelken, seconded by Dr. Feldman, which carried unanimously, to recommend that the **Audit of Selected Financial, Real Estate and Operational Transactions and Contractual Arrangements: Keys Gate Charter High School** be received and filed by the School Board.

b) Correspondence with the Florida Department of Education (FLDOE) Requesting Guidance and Clarification as to Legality and Propriety of Certain Charter Schools' Fiscal and Governance Practices.

Mr. Montes de Oca addressed a letter dated July 9, 2015, from the FLDOE relating to the transfer of FEFP funds from one charter school within a district to another charter school within the same district. He stated that this subject has been presented to the Committee many times before. He then explained that this communication was received via email on July 9, 2015 at 4:48 p.m. after the ABAC meeting had concluded. Mr. Montes de Oca explained that FLDOE through their counsel opined that transfers among the schools under the same umbrella are permissible, as long as the District is in agreement with those transfers, but those transfers were not agreed to by the District. Also, transfers outside the county or any other entity are not permissible. He then informed the Committee that the District is developing a policy to address this issue.

Mr. Norwood thanked OMCA and Charter School Support for addressing this concern with FLDOE and noted that this concern has not been addressed in the past.

Ms. Tiffanie Pauline, Assistant Superintendent, Charter School Support, explained that they had been working with the school board attorney's office and the audit office since this issue arose. She agrees that this issue was not addressed before and because of this concern the policy will be revised.

Mr. Montes de Oca addressed the other communication from FLDOE dated September 17, 2015, in response to OMCA's correspondence requesting guidance and clarification as to legality and propriety of certain charter schools fiscal and governance practices. This request arose due to the many audits he has presented to the ABAC dealing with charter school governing boards. Mr. Montes de Oca explained that Mr. Adam Miller, Executive Director, FLDOE, recommends in his letter to incorporate in to the charter school application and executed contract of the school, a requirement that board members be independent from the management companies.

These reports were presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

6. Office of Management and Compliance Audits 2015 Annual Report and 2016 Annual Audit Plan and Budget

The Chief Auditor presented his office's 2015 Annual Report and 2016 Annual Audit Plan and Budget. He reminded the committee that the proposed plan was presented at its July 9, 2015, meeting and at this time he is submitting the completed plan for the Committee's recommendation to the School Board.

There being no questions, a motion was made by Mr. Schwartz, seconded by Mr. Wendelken, which carried unanimously, to recommend that the **Office of Management and Compliance Audits 2015 Annual Report and 2016 Annual Audit Plan and Budget** be received and filed by the School Board.

7. Internal Audit Report – Selected Schools/Centers

Mr. Montes de Oca introduced the above-referenced report, which contained the audit results of 34 schools, none of which had any audit exceptions, but due to time constraints during the summer, schools with potential findings were not included in this report. Therefore, the Committee can expect several schools with findings at its December meeting. He congratulated the principals and administrators overseeing these schools.

Dr. Feldman was thrilled to hear that there were no audit exceptions and gave accolades to the administration and the trainings that are being conducted.

Mr. Montes de Oca mentioned OMCA's involvement in the new "Money Does Matter" training program, in conjunction with School Operations as the training has been revamped to be more aggressive, which he believes will result in schools having less audit exceptions in the near future.

A motion was made by Mr. Schwartz, seconded by Dr. Feldman, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers** be received and filed by the School Board.

8. Internal Audit Report – Audit of Inventories as of June 30, 2015

Mr. Montes de Oca explained that this audit is conducted to assist the external auditors by providing assurances as to the balances of the inventory at year-end which this year were \$9 million dollars and there were no findings.

A motion was made by Mr. Schwartz, seconded by Dr. Feldman, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Inventories as of June 30, 2015** be received and filed by the School Board.

9. Office of Management and Compliance Audits' Activity Report

The Chief Auditor presented the above-referenced report, and noted that it contains an update of the OMCA's completed and ongoing activities.

There were no questions. This report was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

10. Conduct Election of Chair and Vice Chair

Elections are conducted annually as provided in the School Board Rule governing the ABAC. Mr. Montes de Oca opened the floor for nominations. Mr. Roland Sanchez-Medina was nominated for Chair by Dr. Feldman and Mr. Rayfield McGhee was nominated for Vice Chair by Mr. Sanchez-Medina. These were the only nominations and both members were unanimously elected by their peers.

Old Business:

None.

New Business:

None.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Roland Sanchez-Medina at 2:00 p.m.

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