

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
December 3, 2019**

The School Board Audit and Budget Advisory Committee (ABAC or Committee) met on Tuesday, December 3, 2019, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Voting Members Present:

Mr. Erick Wendelken, CPA, Chair
 Mr. Christopher Norwood, J.D., Vice-Chair
 Mr. Jeffrey Codallo
 Ms. Beth Edwards, PTA/PTSA President
 Mr. Stephen Hunter Johnson, Esq.
 Mr. Jeffrey Kaufman
 Mr. Albert D. Lopez, CPA
 Mr. Julio C. Miranda, CPA, CFE
 Ms. Connie Pou, CPA (Alternate for ABAC member Mr. Juan del Busto)
 Mr. Rudy Rodriguez, CPA
 Ms. Mari Tere Rojas, School Board Member
 Mr. Isaac Salver, CPA

Voting Member Absent:

Mr. Juan del Busto

Non-Voting Member:

Mr. Ron Y. Steiger, Chief Financial Officer

Call to Order

The ABAC Chair, Mr. Erick Wendelken called the meeting to order at **12:35 p.m.**

1. Welcome and Introductions

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

Mrs. Perla T. Hantman, School Board Chair	Ms. Maria T. Gonzalez, CPA, Chief Auditor
Dr. Steve Gallon III, School Board Vice-Chair	Mr. Jon Goodman, CPA, CFE, Assistant Chief Auditor
Dr. Lawrence S. Feldman, School Board Member/Alternate ABAC Member	Mr. Richard Yanez, CPA, District Audit Director
Dr. Martin Karp, School Board Member	Ms. Tamara Wain, CPA, District Director
Ms. Susie Castillo, School Board Member	Mr. Luis Baluja, CISA, Executive Director
Dr. Marta Pérez, School Board Member	Ms. Michele Jones, Esq., Executive Director, CIU
Mr. Alberto M. Carvalho, Superintendent	Mr. Wilmer Maradiaga, IT Auditor
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer	Mr. Michael Hernandez, Charter School Audit Coordinator
Mr. Jaime G. Torrens, Chief of Staff	Ms. Patricia Tumelty, Senior Auditor
Mr. Carl Nicoleau, Chief Maintenance & Ops. Officer	Ms. Maria Alegre, Staff Auditor
Ms. Tabitha G. Fazzino, Chief Compliance Officer	Ms. Wanda Ramirez, FTE Auditor
Mr. Eugene Baker, Chief Information Officer	Ms. Francys Vallecillo, Chief of Staff
Mr. Walter J. Harvey, School Board Attorney	Mr. Nelson E. Diaz, Administrative Assistant
Mr. Luis M. Garcia, Deputy Asst. School Board Attorney	Ms. Ana Lara, Administrative Assistant
Ms. Mindy McNichols, Assistant School Board Attorney	Ms. Jackie Falls, Chief of Staff

Ms. Daisy Gonzalez-Diego, Chief Comm. Officer	Ms. Addys Lopez, Administrative Assistant
Ms. Daisy Naya, Controller	Ms. Vivian Lissabet, Administrative Assistant
Mr. Jose Bueno, North Region Superintendent	Ms. Carlota Noguera, Administrative Assistant
Mr. John Pace, Central Region Superintendent	Ms. India George, Administrative Assistant
Ms. Joyce M. Castro, Assistant Superintendent, HR	Ms. Andreina Espina, Administrative Assistant
Dr. Sylvia J. Diaz, Assistant Superintendent	Ms. Amarylys Diaz, Administrative Assistant
Mr. Luis E. Diaz, Assistant Superintendent	Ms. Patricia Betancourt, Administrative Assistant
Ms. Tiffanie Pauline, Asst. Superintendent, Charter Schools	Ms. Mary Cowart, Administrative Assistant
Ms. Meyme Falcone, Administrative Director (on behalf of Ms. Iraida R. Mendez-Cartaya, Associate Superintendent)	Mr. William McAuliff, Executive Director, MECA
Mr. Phong "Tony" Vu, Treasurer	Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Reva A. Vangates, Region Administrative Director	Ms. Latisha Green, Administrative Assistant
Dr. Robert D. Strickland, Administrative Director	Ms. Sheila Resco, Assistant
Ms. Arlene Diaz, Executive Director, Certification	Ms. Mary T. Cagle, Inspector General, OIG
Ms. Nichole Jackson, Executive Director	Mr. Felix Jimenez, Deputy Inspector General, OIG
Mr. Edward McAuliff, Executive Director, ITS	Mr. Tom Knigge, Supervisory Special Agent, OIG
Mr. Brett Friedman, Partner, RSM US LLP	Ms. Laudelina McDonald, Asst. Legal Counsel, OIG
Mr. Anil Harris, Sr. Manager, RSM US LLP	Mr. Jose Gonzalez, Special Agent, OIG
Ms. Cynthia Borders-Byrd, Managing Member, C Borders-Byrd, CPA LLC	Ms. Tanya Davis, CPA, Partner S. Davis & Associates, P.A.
Ms. Sharon Watson, MDCCPTA	Mr. Gabriel Groisman, Mayor, Bal Harbour Village
Mr. Jason Pizzo, Senator, Florida Senate District 38	Mrs. Deborah L. Kievman, Chabad Chayil
Mrs. Danielle Karp (for Dr. Martin Karp)	Mr. Mendel Rosenfeld, Chabad Chayil
Mr. Arie Greenwald, Jewish FL	Ms. Esther Rabayeva, Chabad Chayil
Rabbi Moishe Kievman, Chabad Chayil	Mr. Larry Gould, Chabad Chayil
Ms. Mindy Temerleir, Chabad Chayil*	Mr. Robert Stok, Stok Kon + Braverman (Chabad Chayil)
Ms. Marcela Gomez-Bogomolni, Chabad Chayil	Mr. Yosef Kudan, Stok Kon + Braverman (Chabad Chayil)
Mr. Jonkke Blau, Chabad Chayil*	Mr. David Franco, Chabad Chayil
Mr. Jimmy Najman, Chabad Chayil	Mr. Angel Peralta, Chabad Chayil
Mr. Ervin Margoles, Chabad Chayil*	Mr. Bill Benson, Managing Partner, Keefe McCullough CPA's
Ms. Shera Sonenberg, Chabad Chayil*	Ms. Natalia Gonzalez, Audit Compliance, Academica
Mr. Regino Rodriguez, Partner, HLB Gravier	Ms. Juliet King, Co-Director, Coral Reef Montessori
Mr. Nelson Gaud, Audit Manager, HLB Gravier	Ms. Elaine Castellanos, AP, Charters Schools USA
Ms. Brittany Belletiere, Controller, Academica	Mr. Richard Moreno, President, Building Hope
Ms. Laine Perez, Director Int. Audits, Academica	Ms. Luisa Santos, Visitor
Ms. Jessica Lozada, AP, Charter Schools USA	Ms. Maggie Gerson, Visitor
Ms. Colleen Wright, News Reporter, Miami Herald	Ms. Maria Areas, Visitor
Ms. Samantha Gross, News Reporter, Miami Herald	

* Spelling was based on signature provided; however, signature is not legible (name was not printed).

The Committee disposed of the meeting agenda (consisting of 15 items) in the following order: agenda items 1 through 11, followed by agenda item 15 (related to the OIG investigative report. This item was moved ahead of schedule to accommodate Board members, administration and a number of visitors that were in attendance to hear the presentation/discussion of this item). Next, the Committee disposed of agenda items 12 through 14 at the same time but in sequential order. Agenda items 2-4 and 6-11 were action items; while agenda items 5,12-15 were informational.

2. Conduct Election of Chair and Vice Chair (ACTION)

Ms. Maria T. Gonzalez introduced herself as the Chief Auditor and welcomed everyone to the meeting. She then announced that the first order of business of the Committee was the yearly elections for the Chair and Vice-Chair of the Audit and Budget Advisory Committee (ABAC).

Once Ms. Gonzalez opened the floor for nominations to Chair, ABAC member Mr. Julio Miranda nominated Mr. Erick Wendelken. ABAC member Mr. Isaac Salver seconded the nomination. There being no additional nominations, the ABAC members unanimously voted to select Mr. Erick Wendelken as ABAC Chair.

Ms. Gonzalez then opened the floor for nominations to the Vice-Chair. ABAC member Mr. Isaac Salver nominated Mr. Christopher Norwood for Vice-Chair, and the nomination was seconded by ABAC member Mr. Jeffrey Codallo. There being no additional nominations, the ABAC members unanimously voted to select Mr. Christopher Norwood for ABAC Vice-Chair.

The Chief Auditor congratulated Mr. Wendelken and Mr. Norwood for their appointments and those present congratulated them as well. Mr. Wendelken thanked the ABAC members for having been elected to Chair of this Committee.

Next, Ms. Gonzalez greeted the most recent member of the Committee, Ms. Beth Edwards, PTA/PTSA President. Ms. Edwards is representing the PTA/PTSA at the ABAC and her alternate to the ABAC is Ms. Sharon Watson, who was also in attendance at today's meeting. At the request of Mr. Wendelken, Ms. Edwards provided a background of her extensive experience with the PTA/PTSA, which has spanned well over a decade. The Committee was pleased and extended a warm welcome to Ms. Edwards.

Ms. Gonzalez also congratulated Mrs. Perla Tabares Hantman who was recently elected as Chair of the School Board and Dr. Steve Gallon III as the new Vice-Chair of the School Board. School Board member/ABAC member Ms. Mari Tere Rojas and School Board member/Alternate ABAC member Dr. Lawrence Feldman were officially appointed by Mrs. Hantman to this Committee as ABAC member and Alternate ABAC member, respectively.

3. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of September 17, 2019 (ACTION)

ABAC Chair Mr. Erick Wendelken presented the item. No questions were posed by the Committee. A motion was made by School Board member/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Isaac Salver, for the approval of the minutes of the September 17, 2019, ABAC meeting. The motion carried unanimously.

4. Presentation of the Comprehensive Annual Financial Report (CAFR), Auditor's Communication of Audit Results, and Management Letter For Fiscal Year Ended June 30, 2019 (ACTION)

The Chief Auditor introduced the *Comprehensive Annual Financial Report of The School Board of Miami-Dade County for the Year Ended June 30, 2019* (commonly referred to as the CAFR), the *Auditor's Communication of Audit Results, and Management Letter*. The audit was performed by the external audit firm of RSM US LLP.

According to the Chief Auditor, in regards to the audited financial statements, the external auditor concluded that, in their opinion, the financial statements presented fairly, in all material respects, the respective financial position of The School Board of Miami-Dade County, Florida, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in

the United States of America. She noted that this represents the highest opinion that can be assigned to a financial statement audit. Ms. Gonzalez also noted that, in conjunction with the yearly audit of the School Board's basic financial statements, RSM US LLP issued the Management Letter with no findings to report. She then introduced the RSM representative, Mr. Brett Friedman, Partner for his presentation of these reports.

Mr. Friedman pointed to two documents, the largest being the *Comprehensive Annual Financial Report* that is prepared by the Controller's Office. He stated that the external auditor's job is to issue an opinion, and, as previously stated by the Chief Auditor, the CAFR received an unmodified opinion from the external auditors, which is the highest opinion that can be provided in a financial statement audit. He also pointed to the smaller report. This document consists of certain communications that are required to be provided to the Committee.

As Mr. Friedman explained, the audit was performed in accordance with generally accepted auditing standards, and in agreement with their service contract with the School Board dated May 11, 2019, and the audit engagement letter. According to him, the audit scope and timelines were discussed at the onset of the engagement, and the assignment progressed smoothly, was completed on time, and delivered according to the schedule.

Regarding work efforts, Mr. Friedman thanked the School Board's Controller Ms. Daisy Naya, her team, as well as the Chief Financial Officer, Mr. Ron Y. Steiger for their collaboration with the external audit team, and for their assistance in obtaining information expeditiously from the various departments involved with this audit.

Regarding implementation of accounting standards, Mr. Friedman brought to the Committee's attention that the only required change for this audit year was the implementation of the provisions of GASB Statement 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Its implementation did not have a significant effect on the financial statements and only resulted in additional footnote disclosures for direct placements debt.

During the audit, Mr. Friedman noted that there were no significant or unusual transactions, and no past or proposed audit adjustments. These facts, he said, should not only impart confidence on these financials, but should also provide reliance as to the accuracy and high quality of the data supporting these financials that can be relied upon.

Mr. Friedman also indicated that according to their review, the accounting estimates were properly prepared, were reasonable and reliable, and the management representation letter supports the audit work. He added that as previously noted by the Chief Auditor, the Management Letter and letter on internal controls disclosed no findings to report.

Mr. Anil Harris, RSM's Senior Manager went over the significant accounting estimates that are based on actuarial valuations and briefly discussed the following three: Other Post-Employment Benefits (\$25.1 million); the Net Pension (allocation of FRS Pension) Liability (\$1.8 billion); and the Self-Insurance Liability (\$177 million). According to Mr. Harris, during the audit, they evaluate and test the data; and their internal expert actuaries review the District's actuarial reports to determine whether the estimates are based on reasonable assumptions and methods. He concluded that based on their testing and evaluation of these estimates, each was reasonably stated and in accordance with the standards of practice.

School Board member/ABAC member Ms. Mari Tere Rojas was very pleased with the outcome of the external audit. She stated that the CAFR was a fabulous report, very comprehensive and positively reflected on the hard work of the administration. Alternate ABAC member Ms. Connie Pou echoed Ms. Rojas' comments and sentiment, and congratulated Mr. Steiger and Ms. Naya for a beautiful report. She said that not only the report is beautiful on the outside but the numbers on the inside reflect the sound financial position of this District. She also noted that considering

the size of this District, it is an accomplishment that the Management Letter did not cite any findings, thus rendering testament to the professional caliber of District staff involved with these financials.

ABAC member Mr. Albert D. Lopez pointed to Exhibit A's Representation Letter and the proposed adjustment not reported that is mentioned in the letter; and inquired whether the external auditors considered the impact of the adjustment on the internal controls and on the Management Letter.

RSM's representative Mr. Brett Friedman replied that items not quantitatively/qualitatively significant are still included in the Representation Letter for the reader's awareness. During the audit, this specific issue was evaluated, and it was determined that controls are in place and that management has proactively addressed the issue. Consequently, the adjustment did not rise to the level of a finding.

Upon Mr. Lopez's inquiries as to the exact nature of the item, both Mr. Friedman and Mr. Harris clarified it was in the government-wide activities and related to the close out of construction-in-progress into finished projects that are then depreciated. According to their explanations, although controls were in place, in a few instances, they noted that certain departments were not effectively communicating the information. However, the amount of the adjustment was not material to the total amount, and the adjustment did not have an impact on the General Fund. CFO Mr. Ron Y. Steiger confirmed that, regardless of the size of the adjustment, which in this case was minimal, meetings with management have taken place to address this issue going forward.

There being no additional questions or comments, a motion was made by School Board member/ABAC member Ms. Mari Tere Rojas and seconded by ABAC member Mr. Rudy Rodriguez, which carried unanimously, to recommend that the **Presentation of the Comprehensive Annual Financial Report (CAFR), Auditor's Communication of Audit Results, and Management Letter For Fiscal Year Ended June 30, 2019**, be received and filed by the School Board.

5. Miami-Dade County Public Schools – Monthly Financial Report (Unaudited)- For the Period Ending September 30, 2019 (INFORMATIONAL)

The Chief Auditor introduced the subject item and stated that this report had been previously presented to the School Board for transmittal at its November 20, 2019, regular meeting. Chief Financial Officer Mr. Ron Y. Steiger further clarified that it is early in the year, but the report shows the District is on track, the numbers look appropriate and there are no concerning fiscal issues at this time. ABAC member Mr. Albert D. Lopez commented that the report may not compare to the District's annual budget considering that it is early in the fiscal year for this comparison; and inquired whether it could be tailored to show progress. Mr. Steiger replied that his office could look further into the report's presentation. However, Controller Ms. Daisy Naya pointed to the report's section [refer to the *Statement of Operations (Unaudited)* in pages 2-7] where the schedule includes a column [refer to fourth column from the right] denoting the data based on percentage of *Year-To-Date Actual to Adopted Budget* that should be able to guide the reader in that respect. Mr. Lopez seemed satisfied with the clarification and did not pose further questions or requests.

No additional questions were posed by the Committee. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

6. Presentation of the Audit of Educational Facilities Impact Fee Fund, Special-Purpose Financial Statements for FYE June 30, 2019 (ACTION)

The Chief Auditor introduced the subject item and stated that this is an audit report of the *Educational Facilities Impact Fee Fund, Special-Purpose Financial Statements for June 30, 2019*.

She also explained that this external audit is required under the *Interlocal Agreement* with the County, and that the external audit firm of C Borders-Byrd, CPA LLC was engaged to perform this audit. The Chief Auditor then turned the presentation over to the representative from the external audit firm. Ms. Cynthia Borders-Byrd, Managing Member of C Borders-Byrd, CPA LLC, greeted the Committee and stated that she was available for any questions.

School Board member/ABAC member Ms. Mari Tere Rojas stated that she was taking a moment of personal privilege to recognize her colleague, Dr. Lawrence Feldman, who was reappointed to the Committee to serve as her alternate. Also, she wanted to recognize State Senator Pizzo who was in attendance at this Committee meeting. However, Mr. Pizzo, although in attendance, had stepped out of the room temporarily and was not available for comment.

Regarding the audit report, Ms. Rojas inquired and requested some clarification on page 17 of the report related to internal control over financial reporting and the language used to express the auditor's opinion. Ms. Borders clarified that the audit did not present any issues and the language used in the report is in accordance with professional standards. Ms. Rojas was satisfied with the clarification.

Ms. Borders also pointed to the pages in the report [refer to bottom of page 16 and Note 6 starting on page 11] that showed that the outstanding debt has decreased, and this is a positive note since that number was much higher. ABAC member Mr. Rudy Rodriguez commented that it appears that the monies have been spent adequately and as earmarked. Ms. Borders agreed with his comment. The Committee was pleased with this presentation.

There being no additional questions or comments, a motion was made by ABAC member Mr. Jeffrey Kaufman and seconded by School Board member/ABAC member Ms. Mari Tere Rojas, which carried unanimously, to recommend that the **Presentation of the Audit of Educational Facilities Impact Fee Fund, Special-Purpose Financial Statements for FYE June 30, 2019**, be received and filed by the School Board.

7. Presentation of the Financial Statements of the Magnet Educational Choice Association, Inc. (MECA) for FYE June 30, 2019 (ACTION)

The Chief Auditor introduced the subject item and stated that this is an audit of the *Financial Statements of the Magnet Educational Choice Association (MECA) for fiscal year ended June 30, 2019*. She stated that this external audit was also performed by the audit firm of C Borders-Byrd, CPA LLC. Ms. Gonzalez explained that MECA is a not-for-profit corporation organized and operated as a Miami-Dade County School Board's direct-support organization. She closed by stating that this audit presented some issues as disclosed in the Management Letter and turned the presentation over to Ms. Cynthia Borders-Byrd, the firm's Managing Member.

According to Ms. Borders, this is the second year that the report on internal controls discloses issues. According to her, one-two individuals are primarily responsible for the entire operation, and there is not proper segregation of duties. In addition, she noted that the deficit in *Net Assets Without Donor Restrictions* of approximately \$(28,900) [refer to page 4 and to Finding on page 15] has increased this year due to funding not sufficient to cover all operational expenses (since the entity has lost some grant funding in recent years). Ms. Borders explained that as part of the [auditing] standards, auditors are required to communicate to the [MECA] Board on the internal control issues; and she has communicated all these issues to the Board Chair [of MECA]. However, according to the entity's Board, they will find a replacement for key management and will seek additional contributions to manage the cash flow.

School Board member/ABAC member Ms. Mari Tere Rojas concurred with Ms. Border's presentation of the facts and was very concerned about the operation of MECA. Furthermore, she was displeased that no action had been taken to remedy the issue of the entity being short-staffed,

considering that this issue had been cited in the prior audit. She was obviously very concerned as to whether the entity can continue operating since there are significant reductions in contributions and requested clarification from District administration as to a course of action going forward. CFO Mr. Ron Y. Steiger replied that this entity operated independently from the District and recommended referring that inquiry to the representative from MECA.

Mr. William McAuliff, Executive Director from MECA replied that MECA operates based on the receipt of donations from outside organizations and had recently lost a significant grant from JPMorgan Chase which represented approximately \$6,500 in administrative fees to cover operating expenses. He explained that since then, they have struggled with the funding, even though the entity has well over 100 stakeholders. Most of these stakeholders are from various departments within Miami-Dade County Public Schools that receive donations for their operations and these funds are deposited in MECA for their accounting. He clarified that MECA has never received any contributions from the District. He went over some of the operating expenditures which included his salary of about \$1,000 per month, liability insurance, and other liabilities related to running a normal business entity.

School Board member/ABAC member Ms. Mari Tere Rojas made additional inquiries as to the number of employees currently working for MECA. Also, she requested an update on employee transition since the audit report noted that the key employee [Mr. McAuliff] was soon ready to retire and wanted to know when he was planning to leave the organization.

Mr. McAuliff replied that he has been employed with MECA since his retirement from the School District in 2008, where he worked in the Audit and Budget departments as a full-time employee for about 24 years. He became MECA's Executive Director in 2009 when the former Executive Director could no longer work because of a pressing family commitment. According to Mr. McAuliff, he works for MECA on an hourly basis, most of it remotely from home. He has a Secretary, who is also a retired District employee, and who also works for MECA on an hourly basis, writing checks and performing office duties. Regarding employee transition, he stated that he was planning to retire in May 2018; however, he has not left since MECA does not have sufficient funds to pay anyone to replace him for the work that is required to run this organization.

School Board member/ABAC member Ms. Mari Tere Rojas requested an update from the Superintendent regarding this organization since this issue had been discussed during last year's Committee, back in December 2018.

Superintendent Mr. Alberto Carvalho replied that he will again place on the table the same offer that he made to MECA last year, when the Committee tackled this issue that it was not happy with the performance of the organization. The offer was for the organization to dissolve and have the School Board's Foundation [for Educational Initiatives] assume its responsibilities and operations, which Mr. Carvalho said was appropriate to be done. However, the organization did not wish to do so. Mr. Carvalho reiterated that the Foundation has the capacity, skill and ability to pick up the work and continue the functions that MECA currently does. However, he noted that this cannot be taken away from MECA since they are an entity independent from the School Board, and MECA must be willing to surrender its functions over to the Foundation on their own accord.

ABAC member Mr. Albert D. Lopez inquired that if MECA is independent from the School Board, would there be any legal or potential liabilities if taking over its functions. The Superintendent replied that he was not aware of any liabilities.

Mr. Lopez posed a question to the external auditor, specifically related to the going concern issue. He inquired that when the issue was analyzed during the audit, the external auditor had mentioned a going concern; however, a "going concern" paragraph was not included at the end of the auditor's report. He wanted to know from the external auditor if this was due to having met with

MECA management, and after having discussed their plans for continuing operations, was satisfied with the plan going forward. Ms. Borders replied that the going concern could still be an issue; however, she said that, according to Mr. McAuliff, he will continue with MECA until a replacement is found. Also, she said that going forward, the organization would have to raise their administrative fees if the contributions are not sufficient to cover expenses. Currently, the organization charges a five percent administrative fee, and the organization may have to increase this fee percentage. She reiterated that she had discussed all these matters with the Board Chair.

School Board Chair Mrs. Perla Tabares Hantman requested clarification as to the identity of the Board Chair that Ms. Borders had alluded to in her explanations of MECA. Ms. Borders replied that she was referring to the *Board Chair of MECA*. Mrs. Hantman thanked Ms. Borders for the clarification.

School Board member/ABAC member Ms. Mari Tere Rojas stated that although she understands that the MECA Board is cognizant of the issues and has determined that it can remedy the situation going forward, she would like to have a more extensive conversation. She wanted an opportunity for a lengthier discussion and a serious decision and recommendation from the ABAC; and *proffered a motion to table this item until the next meeting in February 2020*. The motion was seconded by ABAC member Mr. Jeffrey Kauffman.

Before a vote was taken on the motion proffered by Ms. Rojas, ABAC member Mr. Isaac Salver noted that the agenda item corresponding to the presentation of the audit report of MECA did not refer to a liquidation of the organization or a similar action but was intended for the Committee's discussion of the audit report and Committee approval. He proffered that he did not see any harm in having this item approved and transmitted to the School Board, because the Committee does not seem to have a problem with the audit document itself, and the external auditor has made her presentation. In his opinion, the organization's viability or its liquidity issues going forward are separate and could be discussed at the next meeting as a separate agenda item.

ABAC Chair Mr. Eric Wendelken inquired from School Board Attorney Mr. Walter Harvey if releasing the financial statement audit of MECA (by transmitting it to the School Board) would remove the ability from the ABAC to have a discussion on the subject of MECA at a subsequent meeting. Mr. Harvey replied that the Committee could transmit the financial statement audit to the Board without hampering the Committee's ability to revisit and discuss the subject at a subsequent meeting; and have a recommendation regarding the matter if that is the ultimate decision of the Committee.

There was a discussion by ABAC members as to whether the motion to table the report should be reconsidered and voted on, or whether to withdraw the motion and make a new motion to transmit the report to the Board. During the discussion, School Board member/alternate ABAC member Dr. Lawrence Feldman expressed concerns that the Board would receive the audit report in December, while the Committee would be discussing MECA's operational issues afterwards.

In response, the Chief Auditor replied that transmitting the audit report to the Board should not be a cause for concern since the report has been discussed by the Committee, the audit report stands as is and documents the issues, MECA management has all the communications required from the auditor, and the Committee has the ability not only to discuss the issues now but at a subsequent meeting. This, she said would be similar to those instances when a charter school's audited financial statements have been transmitted to the Board by the Committee, yet the Committee has discussed going concern issues related to the charter school during that meeting and at subsequent meetings. She said it would be preferable to transmit the report now; and have a more detailed discussion at a subsequent meeting on the subject matter, since District management and the organization may require additional time to discuss the issue. To further assuage Dr. Feldman's concerns, ABAC member Mr. Albert D. Lopez expressed that the audit

presents a picture as of June 30, 2019, it has all the required communications, and the issues to be discussed by this Committee are issues of the organization that remain post June 30, 2019. ABAC Chair Mr. Eric Wendelken summarized the motion that was clarified by School Board Vice-Chair Dr. Steve Gallon III. Dr. Gallon stressed upon the fact that *the issue*, not *the item*, would be brought back to the Committee. He explained that the item could not be brought back once transmitted to the Board. The Committee appreciated and agreed with his clarification. The Board Attorney also agreed.

Once all clarifications were made, the final motion that was proffered by Ms. Rojas was to release the financial statement audit report of MECA to the Board, cancel the motion previously made by Ms. Rojas to table the audit report, and bring the subject issue of MECA back to the ABAC at its next meeting scheduled for February 2020. The question for a vote was called by ABAC member Mr. Isaac Salver.

There being no additional questions or comments, the motion made by School Board member/ABAC member Ms. Mari Tere Rojas and seconded by ABAC member Mr. Jeffrey Kaufman, which carried unanimously by the Committee, was to recommend that the **Presentation of the Financial Statements of the Magnet Educational Choice Association, Inc. (MECA) for FYE June 30, 2019**, be received and filed by the School Board.

After the motion was passed, ABAC Vice-Chair Mr. Christopher Norwood requested background information and history of the organization, copies of governing documents, history as to its relationship with the School District, and a five-year financial outlook. Furthermore, ABAC member Mr. Isaac Salver requested information on the communities that the organization serves; and School Board member/ABAC member Ms. Mari Tere Rojas requested parameters and timelines for corrective action. The Chief Auditor replied that she would meet with Mr. McAuliff as soon as he was available to go over these requests¹.

8. FLDOE-OIG - Audit Report - Miami-Dade County School District – Adults with Disabilities Program (ACTION)

The Chief Auditor introduced the subject item and stated that this is an audit of the Florida Department of Education's Office of the Inspector General (FLDOE-OIG), where their internal audit department conducted an audit of the 2018-2019 grant between the FLDOE's Division of Vocational Rehabilitation (DVR) and the Miami-Dade County School District for the Adults with Disabilities Program (AWD). According to the Chief Auditor, the objective of the audit was to determine the District's adequacy of internal controls over the AWD's program services and compliance with the grant terms. The objective also included whether the DVR was effectively monitoring the grant; however, this part of the audit objective was not intended for the District.

In their audit, the FLDOE-OIG stated that although the District had generally implemented adequate controls over the AWD's program services, there were some opportunities for improvement. As noted in the report, the District was issued two findings due to some inconsistencies with the information and completion of the documentation reviewed; and for not reporting on participants' achievement of benchmarks in accordance with grant terms. In response to these findings, the District provided a response and corrective action plan. One other finding exclusive to the DVR was also cited in the report. In their response, District management stated that Miami-Dade County Public Schools has been an Adults with Disabilities' grant recipient since the year 2000. During those years as a grant recipient, the District has successfully fulfilled all reporting requirements on an annual basis that have been mandated through the Project Performance Accountability Form as a part of the grant deliverables.

¹ Mr. McAuliff could not meet in December. A meeting was scheduled and took place on January 9, 2020.

School Board member/ABAC member Ms. Rojas observed that audits are a way to improve and to assist in areas of weaknesses and although satisfied with management's response, she was concerned that some of the information such as objectives and benchmarks required in the Adult Individual Educational Plans were not being reflected in the documents. She inquired about the monitoring of the corrective action plan.

In response, Deputy Superintendent/Chief Operating Officer Mrs. Valtena G. Brown stated that District staff meets with the DVR all the time, and the DVR was not aware that the information was required. To ensure compliance going forward, she said that District staff has been trained and this information is part of the monitoring plan for adult/vocational education. She also added that the monitoring happens through the Adult/Vocational/Alternative Education Department headed by Mr. Luis E. Diaz at the District level. At Ms. Rojas' request, Mrs. Brown clarified that this audit happened between the Spring and Summer 2019.

School Board Vice-Chair Dr. Steve Gallon III inquired whether these findings resulted in a financial impact to the District. The Chief Auditor replied that she had inquired with the FLDOE-OIG about potential financial implications as result of this audit and perhaps going forward. The FLDOE-OIG stated there were no financial implications resulting from this audit since the District was not aware of the specific grant requirements at the time of the audit because these were not communicated/enforced by the DVR. She was also informed that there should be no financial implications going forward, as long as the District fully complies with all the terms of the grant including the related information/documentation.

There being no additional questions or comments, a motion was made by School Board member/ABAC member Ms. Mari Tere Rojas and seconded by ABAC member Mr. Albert D. Lopez, which carried unanimously, to recommend that the **FLDOE-OIG - Audit Report - Miami-Dade County School District – Adults with Disabilities Program**, be received and filed by the School Board.

9. Presentation of Internal Audit Report - Selected Schools/Centers (ACTION)

The Chief Auditor introduced the subject report. According to her, this report includes the internal audit results of 60 schools reporting to a Region Office or the Office of Adult/Technical and Educational Opportunity and Access within School Operations. Of the 60 schools, 57 presented their financial affairs in order, their audits were satisfactory, and their Principals and staff should be commended for a job well done. She stated that at three schools, there were opportunities for improvement. Specifically at Kensington Park Elementary, there was a misappropriation of funds. Staff from School Audits collaborated with the Miami-Dade Schools Police Department, and this case was referred to the State Attorney's Office for prosecution. The individual responsible for the misappropriation received one-year probation and is required to reconstitute the funds. At Lake Stevens Middle, monetary and recordkeeping discrepancies were evident throughout the two-year audit period. At the third school [Country Club Middle], the audit disclosed non-compliance with certain Full-Time Equivalent (FTE) documentation procedures related to ESOL and teacher certification.

School Board member/ABAC member Ms. Mari Tere Rojas positively commented on the table on page 1 of the report, which illustrates information related to each individual school's findings and tenure of Principals and Treasurers.

As illustrated in the table, two of the three findings happened under the tenure of a former Principal and Ms. Rojas inquired if the former Principals were still working in the District or whether they had retired. Deputy Superintendent/Chief Operating Officer Mrs. Valtena G. Brown replied that both Principals remained working in the District. Ms. Rojas went over what she termed the most egregious finding in this report related to the misappropriation of funds. Aside from the misappropriation, she noted that, according to the finding, approximately \$29,000 in outstanding

liabilities from parents/guardians for After Care Program services rendered by the school remained uncollected. She requested an update on this issue and inquired how long the District plans to work with these families to remedy the situation.

Mrs. Brown stated that she did not have exact numbers as to how many parents were involved and how much has been paid. She said that this was a very serious issue at Kensington Park Elementary, since it appears that the former Community School clerk [involved in the misappropriation] may have just collected some of the dollars; and some of these parents were aware that the services rendered were not being paid in full. She explained that from the District's perspective, the records were not kept properly, the Early Learning Coalition [the subsidizing child care agency] was not billed for reimbursement of the services; and the District is making efforts to ensure that monies are collected from those parents who did not pay.

Ms. Rojas also brought forth the matter that the school was not reimbursed by the subsidized child care agency because of failure to meet timelines and wanted to ensure this was addressed. Mrs. Brown replied that the finding has been fully addressed; however, based on timelines, the District can no longer recover these funds. Mrs. Brown also stated that moving forward, the new online payment system for After Care collections will significantly reduce the risk involved in the handling of cash collections by school site personnel. Ms. Rojas was satisfied with the response.

ABAC member Mr. Albert D. Lopez inquired whether the Treasurer from Lake Stevens Middle was still employed by the District. Mrs. Brown stated that she is still employed. Mr. Lopez replied that he did not understand why; however, given that the individual was still employed, he inquired as to training opportunities required and available to this individual. Mrs. Brown stated that as part of the audit exception and corrective action plan, the employee is required to participate in the *Money Does Matter* year-long training program. In response to Mr. Lopez, the Superintendent added that now that the audit is brought forth to the Committee and the Board, management reserves the right to take appropriate personnel actions on employees, particularly in those cases where employees are involved with the court system.

School Board Vice-Chair Dr. Steve Gallon III inquired about the status of the refunds due to the students totaling \$1,000 that was cited in the Lake Stevens Middle School's finding on page 51, under condition 2.7. The Chief Auditor stated that she was not sure about the current status of the refunds. Perhaps, she said, the administration could provide the answer since the issue stemmed from an activity that happened in 2018; and involved students that may not be attending the school at this time. Dr. Gallon inquired if the identity of those students was known. The Chief Auditor replied that the auditors do have the list of names². At the request of Dr. Gallon, the Chief Auditor confirmed that the students had not been refunded as of the completion of the audit.

The Superintendent replied that now that the audit is brought forth and the list of students is available, the students will be restituted the funds. Dr. Gallon thanked the Superintendent for the response.

There being no more questions or comments, a motion was made by ABAC member Mr. Stephen Hunter Johnson and seconded by ABAC member Mr. Jeffrey Kaufman, which carried unanimously, to recommend that the **Internal Audit Report - Selected Schools/Centers**, be received and filed by the School Board.

10. Internal Audit Report – Audit of Inventories as of June 30, 2019 (ACTION)

The Chief Auditor introduced the subject report. According to her presentation, this is an audit that her office performs every year to assist with the work of the external auditors of the District. She also said that this audit is in accordance with her office's yearly Audit Plan. It relates to the audit of the inventory balances reported in the unaudited Annual Financial Report for the fiscal

² Subsequent to this meeting, the student list was provided to the administration for follow-up on the refunds.

year ended June 30, 2019, for the Department of Food and Nutrition, Stores and Mail Distribution, Maintenance Materials Management, and the Department of Transportation.

In the audit report, it was concluded that the inventory balance of approximately \$16.3 million reported in the unaudited Annual Financial Report as of June 30, 2019, was fairly stated, in all material respects. There was no material adjustment to the inventories resulting from the internal auditors' physical counts. She closed by stating that this was a good audit and a clean report.

There being no more questions or comments, a motion was made by ABAC member Mr. Albert D. Lopez and seconded by School Board member/ABAC member Ms. Mari Tere Rojas, which carried unanimously, to recommend that the **Internal Audit Report – Audit of Inventories as of June 30, 2019**, be received and filed by the School Board.

11. Review of Audited Financial Statements for 44 of 134 Charter Schools Operating During The Fiscal Year Ended June 30, 2019 (Agenda Item 11.a) and Close-Out Audit of Florida International Academy Charter School For The Fiscal Year Ended June 30, 2018 (Agenda Item 11.b) (ACTION)

The Chief Auditor introduced the subject report. According to her presentation, these are the audited financial statements of 44 charter schools, as well as the close-out audit of Florida International Academy. She also noted that this item includes the close-out audits of the three ASPIRA schools discussed by the Committee on previous occasions.

Ms. Gonzalez explained that the letter supporting agenda item 11.a segregated the charter schools' audited financial statements into the following categories or groups: the ASPIRA close-out audits (3); charter schools showing serious financial concerns (3); schools with moderate fiscal concerns (4); MATER schools (24); and schools with no fiscal issues to report (10). Her office invited some of the charter schools' representatives in case of questions and she requested taking a five-minute recess to have the representatives (who were waiting outside the room) come in and join the meeting.

Before proceeding, ABAC member Mr. Isaac Salver requested moving agenda item no. 15 (the OIG investigative report) ahead of order since there were people in the room waiting to hear on this item. The Chief Auditor replied that the Charter Schools' agenda item was the last action item to be included in next week's School Board meeting. Consequently, she asked the Committee's indulgence to discuss the Charter Schools first to finalize all action items before item no. 15 (which was informational for the Committee) was moved to the floor. The Committee agreed with her request.

School Board member/ABAC member Ms. Mari Tere Rojas took the opportunity to again welcome State Senator [Jason] Pizzo and Mayor of Bal Harbour Village, Mr. [Gabriel] Groisman who were attending today's meeting. The Committee gave them a round of applause.

The meeting resumed after the short recess and the Charter Schools' item was moved to the floor for discussion. The Chief Auditor introduced Assistant Chief Auditor Mr. Jon Goodman who was in charge of the presentation.

- Agenda Item 11.a - Forty-Four Charter Schools' Audited Financial Statements

Mr. Goodman greeted the Committee and provided a very brief commentary on **the three ASPIRA charter schools'** going concern opinions and deteriorating financial condition, pointed that staff from Charter School Operations and the legal department were available for any questions as well as representatives from the charter schools themselves.

The Chief Auditor inquired if there were any representatives from ASPIRA in attendance. Upon the Chief Auditor's request to introduce the representative to the Committee, School Board Vice-Chair Dr. Steve Gallon III inquired if there was a need for the representative to come to the microphone since no questions were posed by the Committee. The Chief Auditor replied that it was done as a courtesy to the Committee to identify the representatives; however, Dr. Gallon was correct that no questions were posed.

Mr. Goodman quickly moved onto the next group of **three schools with serious financial concerns**: Arts Academy of Excellence (AAE), Keys Gate Charter High School and Latin Builders Association (LBA). He summarized each of the issues to the Committee, the first being AAE's deteriorating financial condition which required the submission of a corrective action plan.

School Board member/ABAC member Ms. Mari Tere Rojas commented on the school's increased enrollment which is part of their plan and inquired whether Charter School Operations monitored the situation and provided assistance to the school to ensure that the plan was being followed. Deputy Superintendent/Chief Operating Officer Mrs. Valtena G. Brown replied that the school is monitored regularly to ensure they are in compliance with the plan and progressing accordingly. At the request of Ms. Rojas, Mrs. Brown clarified that the monitoring is being conducted on a monthly basis.

Regarding Keys Gate Charter High School, Mr. Goodman pointed to the school's declining net position and total Fund balance, as well as their declining enrollment. However, the school had not met a condition of financial emergency. He noted that in order to keep the school operating, the management company has waived its management fee, the incremental rent and has donated approximately \$615,000 to the school. In response to these issues, the school representatives have hired a new Principal and are working towards re-defining/improving the school's educational mission.

ABAC member Mr. Albert D. Lopez inquired whether the waiving of these fees of approximately \$2.7 million was going to happen again. He commented that, if it is not happening again, he does not see how the school will survive 2019-2020. Mr. Goodman agreed with Mr. Lopez's comment and said this is the reason why his office is bringing this matter to the Committee's attention, specifically, that the management company is waiving these fees in order for the charter school to survive.

Mr. Bill Benson, Managing Partner, Keefe McCullough CPA's responsible for the audit of the charter school replied that the management company is very committed to the school long-term and the management company intends to waive the fees to continue its support as needed. He added that the charter school as well as the elementary charter school across the street have a big presence in Homestead and they are optimistic that new leadership changes will result in increased enrollment since they believe in that school and that community. Both ABAC Chair Mr. Erick Wendelken and ABAC member Mr. Albert D. Lopez were surprised that Mr. Benson was representing the school while being part of the audit firm that performed the audit. Mr. Lopez inquired from Mr. Benson if as part of the audit, representations were obtained from the management company regarding the waiving of the fees going forward. Mr. Benson replied that they were obtained.

ABAC member Mr. Julio Miranda expressed his concerns regarding this charter school since in his opinion, their financial outlook worsens every year. He said that he is very aware of the issues as he was the former auditor in charge of the [Charter Schools' Internal Audit] Division when he worked for the District. According to him, this situation is similar to what happened with ASPIRA which ended closing its doors. He pointed out to the Committee that the funds provided to these schools are taxpayers' monies and he is concerned that the District is waiting too long for a solution.

Although Mr. Benson attributed some of the losses to the fact that the school built a very large facility that is currently under enrolled and that has a large depreciation factor, Mr. Miranda replied that depreciation is not the only factor for the financial issues that the charter school is currently facing and that continue to augment as years have gone by.

At the request of the ABAC Chair, one of the school representatives in attendance, Assistant Principal Ms. Jessica Lozada provided an explanation as to the school's ongoing efforts to improve the curriculum, elevate the quality of their teaching and school image; however, she was unable to provide an answer to the fiscal questions posed by the Committee.

ABAC Vice-Chair Mr. Christopher Norwood congratulated Assistant Chief Auditor Mr. Jon Goodman for bringing these issues to the table, because he said it is concerning when charter schools are relying on their management companies for their sustainment and he appreciates that this is being brought to the Committee's attention. He said that he shared Mr. Miranda's sentiment and that the Committee should be continuing to monitor these issues over time.

ABAC member Mr. Albert D. Lopez was concerned that AAE has a corrective action plan and Keys Gate does not have one; and he inquired whether this school was being monitored by the District. The Assistant Superintendent over Charter School Operations, Ms. Tiffanie Pauline stated that statute requires the charter schools to submit monthly financial statements that her office receives and reviews. She explained that corrective action plans result from cases involving a deteriorating financial condition or when the school meets a condition of financial emergency. In this case, the school does not meet any of these conditions; however, it would not preclude the District and the charter school from engaging in a mutually agreed-upon action plan; however, this is a complicated issue and something that needs looking into further.

School Board Vice-Chair Dr. Steve Gallon III cautioned the Committee that statute and law provide guidance when it comes to charter schools and action plans; and as he put it, this conundrum is guided by law. He added that to the extent this Committee recommends, it must be in legal consultation as to what can be done or cannot be done under the law.

ABAC member Mr. Rudy Rodriguez recapitulated some of the issues posed by other Committee members and stated that the goal of the school [Keys Gate] should be to improve enrollment and it would be in the school's best interest to draft an action plan to drive them to this goal. Otherwise, if enrollment does not improve, the school may endure some problems.

No other questions were posed by the Committee regarding this school.

Assistant Chief Auditor Mr. Jon Goodman presented the next school in this group, Latin Builders Association (LBA). He said that although the School did not meet a condition of financial emergency or a deteriorating financial condition, the external auditor cited in his management letter an Unrestricted Net Position deficit of \$(144,034) as of June 30, 2019. Nevertheless, LBA's Governing Board met on November 12, 2019, and voted to voluntarily terminate the School's charter effective November 29, 2019. The school is closed now, and the District is going through normal close-out procedures.

School Board member/ABAC member Ms. Mari Tere Rojas inquired where the children enrolled in this school were being placed. Deputy Superintendent/Chief Operating Officer Mrs. Valtena G. Brown said that the District had worked with the affected parents and some of the children had transferred into neighboring charter schools while others had transferred into traditional schools.

The next group to be presented by Mr. Goodman consisted of **four charter schools that presented moderate fiscal issues**. According to Mr. Goodman, these were identified as having a moderate fiscal issue because their external auditors cited some sort of deficiency in their Management Letter.

Although Mr. Goodman stated that none met a condition of financial emergency or a deteriorating financial condition, these are being brought to the Committee's attention for the record and for any possible questions or analysis. These four schools are: Renaissance Middle Charter School, True North Classical Academy Charter School, True North Academy South Campus, and Coral Reef Montessori Academy Charter School. No related questions were posed by the Committee.

The next group presented by Mr. Goodman consisted of **24 Mater charter schools**, 23 of which had a Management Letter comment for not having a formal process for reconciling the capital assets. Management indicated that they have implemented a corrective action plan which is in place at this time. ABAC member Mr. Rudy Rodriguez commented that this issue is not a significant problem; however, it involves a number of schools.

Last, Mr. Goodman pointed that on page 5 of the letter, there is a list of the **ten charter schools that are free of any significant fiscal issues**. No related questions or comments were posed.

There being no more questions or comments, a motion was made by ABAC member Mr. Rudy Rodriguez and seconded by ABAC member Mr. Albert D. Lopez, which carried unanimously, to recommend that the **Review of Audited Financial Statements for 44 of 134 Charter Schools Operating During The Fiscal Year Ended June 30, 2019**, be received and filed by the School Board.

- Agenda Item 11.b - Close-Out Audit of Florida International Academy

According to Mr. Goodman, **Florida International Academy** closed its operations on June 30, 2018; however, at the time, the school did not have the funding to perform the required close-out audit. After ongoing communications between the school's Governing Board and the District, the school identified funding to pay for the audit which involved both a financial statement audit and a Single Audit. The Single Audit was required since the school had received over \$750,000 in federal funds. The Single Audit disclosed two findings related to the National School Lunch and Breakfast programs; however, no questioned costs were cited in the report.

No questions were posed by the Committee.

There being no more questions or comments, a motion was made by ABAC member Mr. Isaac Salver and seconded by ABAC member Jeffrey Kaufman, which carried unanimously, to recommend that the **Close-Out Audit of Florida International Academy Charter School For The Fiscal Year Ended June 30, 2018**, be received and filed by the School Board.

At this time, the Chief Auditor thanked the charter school representatives for attending the meeting and stated that the presentation of this item (11.a and 11.b) had concluded.

As previously requested, Mr. Salver made a motion that was duly seconded to bring to the table agenda item 15 for discussion (ahead of schedule). The Chief Auditor requested a brief recess to allow visitors from Chabad Chayil to enter the room and join the meeting.

15. Office of the Inspector General (OIG) Final Report– Chabad Chayil After School Care Program, Ref. SB-17-0006SI (INFORMATIONAL)

The Chief Auditor greeted the participants and stated that item 15 had been moved to the floor. She also stated that this is an informational item and a report from the Office of the Inspector General (OIG). Additionally, she stated that because some members from the audience may not be familiar with the workings of the Audit and Budget Advisory Committee, she would like to go over the procedures customarily followed when discussing OIG reports.

She stated that as Chief Auditor and facilitator for the Audit and Budget Advisory Committee, due to the interest placed on the presentation of the report from the Office of the Inspector General, she would like to describe the procedures that this Committee traditionally has followed when receiving these reports from the Inspector General, and recommends that these be followed today.

Ms. Gonzalez pointed that for those not familiar with the workings of this Committee, the Committee is comprised of representatives appointed by the Board, the Superintendent, and the PTA/PTSA. The Committee also has non-voting members such as the CFO and the Chief Auditor, who is the Committee's facilitator. The Committee operates under the Sunshine Law, and its meetings are conducted in accordance with *Robert's Rules of Order*.

Robert's Rules of Order are rules governing parliamentary procedure that allow for a deliberative assembly to make its decisions in an efficient manner and to ensure the fair and orderly disposition of the Committee's business.

Pursuant to School Board Policy 6840 which rules the ABAC, this Committee is required to receive and review reports from the Office of the Inspector General, and also to receive, review, and monitor corrective action plans and responses submitted pursuant to investigations completed by the Inspector General. With respect to these reports, no action is required by this Committee, and the report is not forwarded to the Board for further action or disposition.

When the ABAC receives these reports, the subject(s) of the investigation have already been provided an opportunity to formally respond to the allegations and findings by the Inspector General. Their responses are also incorporated in the OIG report.

The established practice and tradition of this Committee when receiving and addressing reports from the Inspector General is not to allow participation from the public, since these reports are presented to the Committee solely for discussion and informational purposes, and the subjects have already had the opportunity to respond in writing. The OIG's Report is final, and this is not the appropriate forum to rebut or challenge the findings.

Chief Auditor Ms. Gonzalez noted that, unlike audit reports brought here by the Chief Auditor's Office (her office), there is no action required by the Committee when being presented with OIG reports, and these reports are not transmitted to the Board. Consequently, participation and discussion regarding these reports is limited to members of the Inspector General's Office, ABAC members, School Board members, and District administration.

These long-established parameters for discussion of this item are to ensure that the Committee's deliberations are conducted in a professional, effective, and fair manner. Therefore, the presentation should be conducted in the following order:

1. The report will be presented to the ABAC members by the Office of the Inspector General;
2. The Committee members will have an opportunity to comment and ask questions regarding the report;
3. The Board members present who are not members of the Committee will be provided an opportunity to comment; and
4. Superintendent/Management will then be provided an opportunity to comment and to explain corrective action(s), if any, going forward.
5. All discussion, questions, and comments should be directed through the ABAC Chair. While this is a public committee, it is not the appropriate forum to rebut or challenge the findings in the report.
6. Since members of the public do not normally speak to these items, if ABAC members at that point still wish to hear from members of the public on any matter related to the IG report, a motion should be proffered by a member and approved by a majority of the

members of the ABAC to allow specified members of the public to speak. The motion should include a time limit on each speaker and a limit to the total amount of time for public comment.

The Chief Auditor closed by stating that these are her recommendations on these proceedings. Next, the Chair introduced Inspector General Ms. Mary Cagle who would be making the presentation to the Committee.

Ms. Cagle greeted everyone and expressed that she appreciated the opportunity to attend the meeting and appreciated the introduction so that those not familiar with the process do understand that the report has been made public, everyone had an opportunity to respond, all responses have been made public, everything has been made public on the OIG's website, and all had an opportunity to read the report and responses. She also expressed that she was going to provide a high-level overview so the participants can understand the work and what her office has done in this particular case. Ms. Cagle added that she understood the sensitivities of this case; and consequently, her comments are made in a very respectful manner to all involved.

A PowerPoint slide presentation summarizing the details of this case was up on the screen and discussed by the Inspector General during this presentation.

Ms. Cagle's presentation started by going over the initial complaint received by the Office of the Inspector General (OIG), thus showing this was not something that the OIG investigated on its own accord, but that derived from a complaint received by her office that was set out to investigate.

The initial allegation in the complaint was that Dr. Karp's Office (Dr. Karp and Mr. Blumstein) used their positions to coerce school officials to allow this After School Care Program [Chabad Chayil] to use their [MDCPS] facilities. The initial complaint also alleged that the After School Care Program Chabad Chayil actually submitted fraudulent documentation to the School District for years claiming that they didn't charge fees so that they could qualify for free space in the School District.

According to Ms. Cagle, this investigation took a long time since it involved interviewing many individuals and reviewing many documents.

In her summary of findings that resulted from the investigation her office concluded that:

- The After School Care Program misrepresented in their documents to the School District that they didn't charge fees when they did charge fees.
- From their interviews with [District] staff, some staff members said they felt pressured to approve the paperwork (the *Temporary Use Agreement* and the *Fee Waiver Form*).
- The *Temporary Use Agreement* should never have been used to authorize an organization to operate an After School Care Program. Ms. Cagle said this was an important finding since the wrong paperwork was used to make this happen.
- School District procedures are very clear about how and what to do to run an After School Care Program, and these procedures are important because they are intended to protect the kids.
- Chabad Chayil operated its After School care program from 2008-2018 (in two different public schools) without the State license required to operate a child care facility. Ms. Cagle noted that this is a violation of law.
- Chabad Chayil and school administrators violated School District rules related to photo identification badges and level 2 background screening.

On the screen, she brought up an illustration of a timeline of how this operation went on. She indicated that each horizontal arrow within the timeline represented a school year. The timeline spanned from 2007 to 2018-2019.

According to her, the issues were segregated in three different 'buckets' (Chabad Chayil, the School District, and the Office of Dr. Karp), and although her comments will address each, most of the comments revolve around Dr. Karp's Chief of Staff. She also said that although Dr. Karp made the initial introduction between the Principal and Rabbi Kievman who ran the After School program, there was no direct evidence that Dr. Karp was involved in this, but there was some evidence that his Chief of Staff was.

She then proceeded to describe the events illustrated in the timeline over Chabad Chayil (first 'bucket'):

- Between School Year 2007 and 2010-11 - Timeframe where the School District put out Request for Proposals (RFPs) for After School Care Programs. This involved a procurement process to select providers that can operate such programs at schools. This is overseen by the Office of Community Education/B-ASC Programs under Mr. Victor Ferrante, Executive Director.
- School Year 2008-09 – Chabad Chayil After School Care Program started at Aventura [Waterways K-8]. This did not go through the RFP process but through the *Temporary Use Agreement* and no direct evidence found as to who came up with that agreement. Chabad Chayil claimed no fees charged in paperwork; however, evidence of fees charged in emails and on-line sites including its own website and *Switchboard Miami*.
- From School Years 2008-09 to 2014-5 – Program operated at Aventura without being licensed by DCF. In 2015-16, DCF license obtained for Aventura. DCF license requires employee background screening.
- School Year 2016-17-Chabad Chayil ASC Program opened at VABHOE [Virginia A Boone/Highland Oaks El.] via *Temporary Use Agreement*. No fees charged according to documents. No DCF license in first year. DCF license obtained after first year of operations.

Regarding the School District administration (second 'bucket'), Ms. Cagle stated that the School District has many procedures in place to ensure kids are protected, and After School Care Programs are licensed by DCF. However, the School District administration did not follow the procedures by allowing Chabad Chayil to operate under the *Temporary Use Agreement*, thus violating their own district rules. She noted that the Principals did not verify whether fees were being charged or whether the program was DCF-licensed. They did not follow the procedures in the *Weekly Briefing* related to *Temporary Use Agreements and Affiliated Agreements Related to Community Education and After Care Programs*; where it explicitly cautions against use of these agreements for After Care programs that come in direct contact with students. She added that Victor Ferrante's office was not aware of Chabad Chayil's operations at Aventura or VABHOE since neither Principal disclosed it in the *Principal Selection Form* for ASC Programs. This form from the Office of Community Education/B-ASC Programs is required to be completed every year by District schools offering After Care Programs.

As far as Dr. Karp's Office (third 'bucket'), specifically, is the interaction between Dr. Karp's Chief of Staff [Mr. Jerold Blumstein] and school/administrative personnel. According to her explanation, Mr. Blumstein personally handled the paperwork between school personnel and administrative personnel. Also, he spoke with principals and administrative staff to ensure that things were done. Ms. Cagle used as examples some of the email correspondence that happened between Mr. Blumstein and Region/District staff to illustrate his direct involvement and the interactions.

Regarding testimony from [Director of Budget Management] Ms. Keisha Johnson Cabrera, Ms. Cagle stated that once Ms. Johnson Cabrera became aware of the fees, Ms. Johnson Cabrera tried to have a conversation with Rabbi Kievman; however, the conversation did not go well since it got terminated. The following day, Mr. Blumstein came to see Ms. Johnson Cabrera invoking the name of the School Board member that he would not be happy with this. She tried to explain that the program was charging fees; however, according to Ms. Johnson Cabrera, Mr. Blumstein indicated he would go over her head if she did not approve it.

Ms. Johnson Cabrera also said that she felt pressured by Mr. Blumstein to get the paperwork approved and he threatened her to go over her head to Mr. Steiger [her boss]. She also said that she went to Mr. Steiger to complain about Mr. Blumstein's actions.

According to Ms. Cagle, during Mr. Steiger's sworn testimony, he remembers that Ms. Keisha Johnson Cabrera came to him to complain about Mr. Blumstein pressuring her to get paperwork done; however, he does not remember if the paperwork was related to Chabad Chayil. Ms. Cagle also referred to sworn testimony from one of the principals, who said that, although no one "twisted his arm", he felt some pressure to have the program operating at his school.

She closed her presentation by stating this was her overview of what the investigation revealed. She also stated that her office provided the District with recommendations and the District is to get back to her office on January 25, 2020, with changes to policies/procedures that they plan to implement to ensure this does not happen again.

ABAC Chair Mr. Erick Wendelken addressed the Chief Auditor and inquired if she had an opportunity to look at this report and her views on the internal controls.

The Chief Auditor replied that the main issue was the improper use of the *Temporary Use Agreements* for this program and that, according to the administration, they did not have sufficient personnel to verify details of the *Temporary Use Agreements*. Going forward, these agreements should be vetted. She added that the District has procedures in place to ensure that this process follows through; however, in this case, the procedures were not followed by the administration.

ABAC member Mr. Albert D. Lopez inquired as to where to go from here since the report was for informational purposes.

Ms. Cagle replied that the report was published in their normal course of action, all responses were received, recommendations were made in the report, and her office will follow up on these recommendations and corrective action.

Mr. Lopez inquired about the financial point of view, the fee waivers and potential action on the fees waived. Ms. Cagle replied that the District would have to make that determination, not her office.

School Board member/ABAC member Ms. Mari Tere Rojas expressed concerns that after this investigative report, the Board members have received letters and are being contacted by the media and the community to make some decisions. She noted that as a Board member, she was not aware of this investigation until August 8, 2019, when Board members received copy of the draft report via email from the attorney representing the organization. However, she said that she was under the impression that all investigations were confidential until they were made final and public.

Regarding the report, she is concerned about the organization having had free use of the facilities at a cost of approximately \$1.3 million in waived charges [refer to schedule on page 14 or report]; however, the most egregious issue was the organization's violation of Florida Statute by operating without a license or the proper background screenings and identification badges. She said that

she was looking forward to the response from the administration due on January 25, 2020. In the meantime, she recommends that a careful review of all similar agreements should be conducted immediately to ensure that similar issues are not occurring.

Ms. Cagle replied to the first part of Ms. Rojas' comments by stating that all investigative complaints received by her office are handled confidentially. She said that oftentimes the investigation remains confidential until the draft report goes out to the affected parties. She also said that never before in the County or the School District, an OIG draft report was made public by one of the affected parties, by sending the draft report to the School Board. She understands that this may have created some confusion; however, she did not have control over their actions.

ABAC member Mr. Isaac Salver made several comments on the report. He started by stating that of the 900 plus page report, about 18 of those pages made sense to him. Mr. Salver said that, for the past nine years as ABAC member, he has praised the work of the OIG and their investigations. However, this report had a lot of editorializing in the presentation of the facts of this case; he questions the true motivation of this report; the fact that two people that he has known for decades are radically affected by what the OIG published; and that 2 ½ years were spent on an investigation of a program the size of Chabad Chayil.

According to Mr. Salver, the only part of the report that makes any sense to him is Jaime Torrens' response to the allegation and the documentation that Mr. Torrens provided, which reflects the pitfalls encountered, what was wrong with the system and corrective action. In Mr. Salver's opinion, any part of the report that goes against the reputation of Dr. Karp or Mr. Blumstein should be discarded because "it is absolute garbage". He also noted that two fine lawyers who responded to these allegations opined that the OIG did not follow any rules or procedures of fairness; since he said that dozens of additional witnesses testified; however, the OIG only gave credence to their "star witness" on whatever she had to say, which her predecessor contradicted.

ABAC member Mr. Stephen Hunter Johnson stated that even for a *Temporary Use Agreement*, Certificates of Insurance should be on file and requested clarification from the OIG. Ms. Cagle replied that they were on file. Mr. Hunter Johnson then stated that having such certificate on file would be a sign that the safety of students was taken into account. His other concern is that there is no definition of "temporary" as in a temporary agreement. Lastly, he understood that it is difficult to navigate the levels of bureaucracy in such a large system; therefore, he could understand when staff from a Board member's office would make a call to expedite the process. What he appreciated is that the report makes clear that staff reports to the administration, and not to a Board member, and this should be made clear so that this situation does not happen again.

ABAC member Ms. Beth Edwards commented that in her experience at schools in District 3, she has never felt pressure from Mr. Blumstein. Also, she was concerned about the procedures being followed/or not followed when vetting these organizations; and the safety and security of the children. She appreciates that the intent is to strengthen the procedures at schools.

There was some conversation regarding Exhibit 4 of the report regarding an affidavit from a staff member. School Board Member Dr. Martin Karp clarified this was the Principal's Secretary who was familiar with his Chief of Staff. He said that individuals (such as the Secretary) were integral to the investigation. He also added that exculpatory evidence was found in footnotes, while other evidence such as that coming from Ms. Johnson Cabrera was highlighted. Yet, evidence from Ms. Cheryl Nasai, who was her predecessor in her District position for a number of years, was in small print or in footnotes.

ABAC Vice-Chair Mr. Christopher Norwood requested clarification as to how a *Temporary Use Agreement* is initiated and how a *Fee Waiver* is obtained. CFO Mr. Ron Y. Steiger explained that a *Temporary Use Agreement* is initiated by the organization and the *Fee Waiver* is initiated at the Principal level. At Mr. Norwood's request, Mr. Steiger further clarified that the process over the

authorization of the *Temporary Use Agreement* was followed in 2008 and in 2016. Also, Mr. Norwood commented that he has been a staffer in the past and the role of a staffer is to help facilitate the process; therefore, he is not sure when that becomes a problem.

In response, Ms. Cagle replied that it would not be the role of the staffer to facilitate the process when the District puts out information that a *Temporary Use Agreement* is not designed for programs where staff is coming in contact with students. In such cases, one must draw the line.

In response to the report and presentation, School Board Vice-Chair Dr. Steve Gallon III quoted Dr. Martin L. King's words to express his sentiment: "*In the end, we will remember not the words of our enemies, but the silence of our friends.*" He pointed to the audience that during the course of this investigation that reportedly spanned 2 ½ years and that resulted in a 900 plus page document, Ms. Cagle opened her presentation by stating that in no shape, form or fashion, there was any evidence of direct involvement relative to deviation from School Board rule, policy or procedure by Dr. Martin Karp. He said that he would be remiss if he did not highlight this particular fact.

At Dr. Gallon's request, Ms. Cagle confirmed that at the beginning of the presentation, she had said that the OIG had found no evidence that Dr. Karp was involved in this, and she put that comment in the Executive Summary and in the report so that it would not be missed in a footnote.

The Superintendent's Chief of Staff Mr. Jaime Torrens stated that management agreed with the recommendations in the report. Also, the administration is reviewing all agreements to ensure this is not repeated. He said that so far, it appears that this was a unique situation; and the response will be provided to the OIG by January 25, 2020. He closed by stating that the administration reserves the right to take any appropriate personnel action once the entire investigative matter is concluded.

The Superintendent stated that they are working diligently with a number of entities within the community to resume services that benefit the community and the children; and he is confident that they will find a solution soon.

Ms. Rojas requested clarification from the ABAC Chair as to whether the ABAC Chair would allow members of the public to speak. ABAC Chair Mr. Wendelken said that he may have misspoken in regards to one of the points previously recommended by the Chief Auditor that stated "since members of the public do not normally speak to these items, if ABAC members at that point still wish to hear from members of the public on any matter related to the IG report, a motion should be proffered by a member and approved by a majority." Nevertheless, Ms. Rojas asked the School Board Attorney whether this [allowing public comment] is something that is common to do in this particular setting, and whether advisable or not advisable to proceed in this manner.

Board Attorney Mr. Walter Harvey noted that, as the Chief Auditor had previously stated in her opening remarks, the policy only requires presentation from the OIG and formal action is not required of this Committee. He clarified that unlike audit reports brought to the Committee to forward to the Board, OIG reports are only informational since they are final, they have been already forwarded to the Board, and no other action is required of this Committee. As a result, the tradition of this Committee for decades is that the OIG report is presented, ABAC members can comment and that is it. Never in Committee history was public comment allowed during the OIG report. Now, if the Committee wants to institute a new process and go beyond precedent, it should not be initiated by one but by a collective decision. That in his opinion, is what the Chief Auditor was trying to bring to the attention of the Committee at the onset of this presentation.

ABAC Vice-Chair Mr. Christopher Norwood inquired whether this was the only report that was not forwarded to the Board by this Committee. The School Board Attorney and the Chief Auditor clarified that this report already went to the Board and it will be also presented at the Ethics

Advisory Committee. This was discussed at length by the Chief Auditor since she was concerned that the viewing public might misunderstand the procedures. Dr. Gallon interjected and stated that after the Superintendent and Ms. Rojas spoke, the question on the table was the matter of public comment. He said that this conversation had veered away from the pending issue as to whether or not this body was going to vote or not for public comment.

ABAC member Mr. Stephen Hunter Johnson cautioned the Committee as to the decision since as he put it, to hear from the “court of public opinion”, may cloud the issue. ABAC members need to really think whether or not the mission of this Committee is to do this. ABAC member Mr. Rudy Rodriguez also expressed concern since this has not happened before.

After some conversation on this topic, ABAC member Mr. Isaac Salver made a motion to allow the public to speak, given certain guidelines. This was seconded by ABAC member Mr. Jeffrey Kaufman. ABAC member Mr. Codallo proffered to allow two minutes per speaker, elected officials first. However, based on individual votes taken, the motion proffered by Mr. Salver failed.

Next, ABAC member Mr. Stephen Hunter Johnson made a new motion to allow Senator Mr. Jason Pizzo and Mayor Mr. Gabriel Groisman speak for two minutes each. The motion was seconded by Mr. Salver. The motion carried by majority vote.

Mayor Groisman first spoke and said that he patiently waited for three hours of his own personal time to address the audience because of the importance of this issue. He noted that unfortunately, the program was shut down and over 200 kids have been left without the opportunity to continue enjoying a program that they like, despite any issues noted with the paperwork. He also said that, after reading the report, he saw no evidence of malicious intent; and hopes that there is an opportunity to get the kids back in the program. Mayor Groisman also said that he had heard the Superintendent’s previous comments that the District is trying to resume the program; therefore, he is requesting that Chabad Chayil be given an opportunity to start a new day, under the new procedures. Mayor Groisman received a round of applause.

Senator James Pizzo addressed the audience next. He opened his comments by stating that, regarding this issue, he was first contacted by a mother because of her kid. He also said that he has a 10-year old and 11-year old, and that they miss the program. Senator Pizzo stated that he has tremendous faith in the Superintendent who he has known for years and with whom he shares the same passion for improving the quality of the lives of kids. He closed his short address by stating that he has hope, faith and trust that the kids will soon get back into the program. He also received a round of applause.

After the elected officials had an opportunity to address the ABAC, ABAC member Mr. Salver proffered a recommendation. He said that this Committee, in effort not to remain silent, should send the report right back to the IG and strip from the report every element that points a finger to Dr. Karp and Mr. Blumstein; and in return, receive a report that addresses the issues that affect the school system related to student safety. His concern is that this report is circulating the Internet and this can be very damaging not only now but in future years. Mr. Salver wanted to enter a motion for making these changes to the report; however, ABAC member Mr. Stephen Hunter Johnson stated that such motion is not possible for this Committee to take action on. The School Board Attorney also stated that the Committee cannot take action to recommend/make changes to the OIG report. As such, the motion was not considered by the Committee.

Next, School Board member Dr. Martin Karp requested going over the presentation slide listing the report findings, and once he started to make comments on the first finding, ABAC Chair Mr. Wendelken stated that no rebuttals could be made to these findings by the Committee; the Committee could only listen to the report and discuss it.

Next, Dr. Karp stated that he had wished that the OIG had an opportunity to get to know him and Jerold [Mr. Blumstein]. He said that he grew up with the system, graduated from the system, became a teacher before becoming a Board member, and had worked in the field of education because he wanted to give back to the community. Dr. Karp added that he had worked at a school with Jerold's father, who was from Cuba, and who was a Spanish teacher for more than 25 years at that same Title I school. He also stated that his children had attended the [Chabad Chayil] after care program; and he had acknowledged that fact up front to the OIG; therefore, he never felt there was a conflict of interest in his mind. Furthermore, he had been told by the OIG that he was not being investigated when they first interviewed him and when he inquired.

Last, Dr. Karp expressed his thanks to the State Senator and the Mayor and to all his colleagues for their support; to Dr. Gallon for his statement; and closed by stating that he will continue to serve children. No additional questions or comments were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

The next three informational items were quickly disposed of by the Committee:

12. Status of Monitoring District's Compliance with the Americans with Disabilities Act (ADA) Requirements Related to Website Accessibility (INFORMATIONAL)

The Chief Auditor briefly discussed the ongoing monitoring progress in the area of ADA website accessibility that her office performs. Progress since the last ABAC meeting consisted of various offices and school sites that have migrated their websites to an ADA-friendly template, training opportunities afforded to staff in the area of website accessibility, and her office will continue monitoring progress in this area. No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

13. Office of Management and Compliance Audits' Activity Report (INFORMATIONAL)

The Chief Auditor summarized the office's activity since the last ABAC meeting. This consisted of the work that her office has performed since the last meeting, including the reports presented today, as well as the audit work assignments that are either in progress or in the planning stages, and all other non-audit assignments that they have participated in since the last meeting. No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

14. Miami-Dade County Office of Inspector General Annual Report 2018-2019 (INFORMATIONAL)

The Inspector General stated that the report had been delivered to the stakeholders and all who received the report should read it. No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

ADJOURNMENT

Since there was no further business to come to the Committee, and upon a motion duly made and seconded, the meeting was adjourned **at 4:19 p.m.**

MTG: