

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
December 11, 2007**

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The School Board Audit Committee met on Tuesday, December 11, 2007 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Mr. Jeffrey B. Shapiro, Chair  
Ms. Perla Tabares Hantman, Board Member  
Mr. Willie Kemp  
Mr. Robert Stein  
Mr. Vidal Marino Velis  
Mr. Robert W. Schomber  
Mr. Nick Tootle  
Mr. Frank Carollo  
Mr. Manuel A. Gonzalez

Non-Voting:

Mr. Allen M. Vann

**Members Absent:**

Ms. Lidia Monzon-Aguirre  
Ms. Betty Amos

**Call to Order**

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Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:30 p.m.

**Introductions**

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Mr. Shapiro asked everyone present to introduce themselves. The following persons were present:

Ms. Evelyn Langlieb Greer, Board Member  
Dr. Marta Perez, Board Member  
Ms. JulieAnn Rico, School Board Attorney  
Ms. Ofelia San Pedro, Deputy Superintendent  
Ms. Carolyn Spaht, Chief of Staff  
Mr. Freddie Woodson, Associate Superintendent  
Ms. Geneva K. Woodard, Associate Superintendent  
Mr. Michael Bell, Assistant Superintendent  
Mr. Joseph A. Gomez, Assistant Superintendent  
Mr. Will Gordillo, Assistant Superintendent  
Ms. Vera Hirsh, Assistant Superintendent  
Ms. Maria Teresa Rojas, Assistant Superintendent

Ms. Maria B. Diaz, Adm. Asst. to Dr. Perez  
Ms. Ana Lara, Adm. Asst. to Ms. Tabares Hantman  
Ms. Bertha Valcarcel, Asst. to Ms. Tabares Hantman  
Ms. Vivian Lissabet, Adm. Asst. to Ms. Logan  
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera  
Mr. Jerold Blumstein, Adm. Asst. to Dr. Martin Karp  
Mr. Richard Tapia, Adm. Asst. to Mr. Reiner Diaz de la Portilla  
Ms. Janet Hupp, Regional Superintendent  
Ms. Enid Weisman, Region Supt., Region II  
Mr. George Nuñez, Region Supt., Region III  
Ms. Neyda G. Navarro, Region Supt. Region VI

Attendees Continued

Mr. Jaime Torrens, Chief Facilities Officer  
Dr. Grace Ali, Chief Financial Officer  
Mr. Gerald Darling, Chief of Police  
Ms. Maria Gonzalez, Assistant Chief Auditor  
Mr. Trevor Williams, Assistant Chief Auditor  
Mr. Luis M. Garcia, Sr. Assistant Board Attorney  
Mr. Steve Shochert, Senior Attorney  
Ms. Mindy McNichols, Senior Attorney  
Ms. Mariaelena Vidal, H.R. Officer  
Mr. Christopher Moran, Operations Officer  
Dr. Janice Cruse-Sanchez, Adm. Director  
Ms. Cynthia Gracia, Administrative Director  
Mr. Paul J. Greenfield, Administrative Director  
Ms. Mary Lee Snipes, Administrative Director  
Ms. Jeanethe Thompson, Administrative Director  
Ms. Beatriz Zarraluqui, Administrative Director  
Dr. Steve Gallon III, Administrative Director  
Dr. Felicia Gil, Administrative Director  
Ms. Joanne Urrutia, Administrative Director  
Mr. Consuelo V. Dominguez, Administrative Director  
Mr. Consuelo Dominguez, Administrative Director  
Ms. Penny Parham, Administrative Director  
Ms. Mary Lee Snipes, Administrative Director  
Mr. Jerry Klein, Administrative Director  
Ms. Melanie Fox, Administrative Director  
Ms. Marie F. Harrison, Administrative Director  
Mr. Nelson Perez, Administrative Director  
Ms. Janice Cruz-Sanchez  
Ms. Helen Pina, District Director  
Mr. Antonio Martinez, District Director  
Mr. Julio Miranda, District Director  
Ms. Isabel M. Siblesz, District Director  
Mr. Jose M. Martinez, District Director  
Ms. Tiffany Pauline, Executive Director  
Mr. Vic Ferrante, Executive Director  
Ms. Carol Erbs, Asst. Risk/Benefits Officer  
Mr. Orlando Alonso, Director  
Ms. Maggie Betancourt, Director  
Ms. Charlene Burks, Director  
Mr. Joseph X. Flynn, Director  
Ms. Carol Chong, Director  
Ms. Tamara Wain, Director  
Ms. Connie Pou, Controller  
Ms. Daisy Naya, Assistant Controller  
Ms. Silvia R. Rojas, Treasurer  
Ms. Norry Lynch, Director  
Mr. Kenneth Rogers, Director  
Ms. Tamara Wain, Director  
Mr. Jon Goodman, Audit Director  
Mr. Deland Innocent, District Supervisor  
Mr. Dario Rosendo, Audit Supervisor  
Ms. Dina Pearlman, Supervisor  
Mr. Norberto Ferradaz, Supervisor  
Mr. Lawrence Rubio, Supervisor  
Ms. Dulce Castro, Coordinator III  
Mr. Jimmy Hicks, Coordinator III  
Mr. Michael Tuccitto, Coordinator II  
Ms. Alice Margolis, Budget Analyst  
Mr. Michael Hernandez, Senior Auditor  
Ms. Veretas Fernandes, Senior Auditor  
Ms. Catrina Carswell, Staff Auditor II  
Ms. Patricia Robinson, Staff Auditor II  
Ms. Eileen Reilly, WLRN  
Mr. John LaBonia, WLRN  
Mr. Carlos Garcia, WLRN  
Ms. Karen Echols, WLRN  
Mr. Joel Byrd, Intern Supt. Office  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsa Berrios-Montijo, Rec. Secretary  
Ms. Alysia Carr, Administrative Secretary  
Ms. Jeannie Vilato, FTE Support Specialist  
Ms. Glendys Valls, FTE Support Specialist  
Mr. Miguel Torres, Alternative Outreach  
Mr. John Antioau, JESCA  
Ms. Susan Marie Kairalla, Florida School Choice  
Mr. Dan Ricker, Watchdog Reporter  
Mr. Fernando Lopez, ASPIRA de Hostas Charter  
Ms. Ana Martinez, Academica  
Mr. Jason Trinidad, ASPIRA South  
Mr. Aymet Chaples, ASPIRA of Florida  
Mr. George Cabrera, ASPIRA of Florida  
Mr. Manuel A. Valdes, ASPIRA of Florida  
Mr. Raul Martinez, ASPIRA of Florida

Attendees Continued

Ms. Iliana Pena, ASPIRA Youth  
Ms. Cynthia Borders Byrd, C Borders-Byrd, LLC  
Ms. Erica Simmons, C Borders-Byrd  
Mr. Richard Strachan, Cooperative Charter  
Ms. Marcia Carty, Cummings Granger, CPA  
Mr. Gary Meredith, Doctors Charter School  
Ms. Evelyn Dan, Doctors Charter School  
Mr. Michael Patillo, Ernst & Young, LLP  
Ms. Claudia Dixon, Ernst & Young, LLP  
Ms. Donsey Wilson-Picart, Excel Academy  
Ms. Karen Henderson, Excel Academy  
Ms. Valarie Robinson, Excel Academy  
Ms. Sonia Mitchell, Fl. International Academy  
Ms. Terri Roberts, Fl. International Academy  
Ms. Regina Rodriguez, Gibson Charter  
Mr. Charles Gibson, Gibson Charter  
Mr. Jose Iglesias, Gibson Charter  
Ms. Verna James, James Accounting  
Ms. Keitha D. Burnett, Lawrence Academy  
Mr. John Edmond, Miami-Dade Coalition  
Ms. Yesenia Santos, Rosa Parks Charter  
Ms. Carol Ann Mitchell, Rosa Parks Charter  
Mr. Michael Messor, Sandor Wiener School  
Ms. Jenesa Lamons, Sandor Wiener School  
Ms. Liz McGettigan, Sandor Wiener School  
Ms. Vickie Burley, Sandor Wiener School  
Mr. Frank Gatant, Sandor Wiener School  
Mr. Anthony Brunson, Sharpton & Brunson, PA  
Mr. Rudy Larrimore, Sharpton & Brunson, PA  
Mr. Alwyn J. Melton, Spirit City Academy  
Ms. Eugenia Russell, Spirit City Academy  
Ms. Debbie Terenzio, UCP of Miami

**1. Approval of the Minutes of the Audit Committee meeting of September 11, 2007**

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Mr. Shapiro asked if there were any comments or questions.

A motion was made and seconded to approve the minutes of the September 11, 2007 Audit Committee meeting. The motion was carried unanimously.

**2. Introduction of New Chief Financial Officer**

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Ms. Ophelia San Pedro introduced the new Chief Financial Officer, Dr. Grace Ali and gave a short presentation on her background. Dr. Ali expressed her pleasure at being with Miami-Dade County Schools and expressed her commitment to the students and families of our community.

(Please note that the minutes are presented in the order of the original agenda; however, at the suggestion of Mr. Vann agenda items 10, 11 & 16 were discussed next, to alleviate the congestion in the room.)

**3. Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2007**

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Mr. Michael Pattillo, Partner for Ernst & Young, LLP presented the audit results on the School Board of Miami Dade County, Florida financial statements for fiscal year ended June 30, 2007. He informed the Committee that all deadlines were met for issuing the

Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2007. He expressed his appreciation to Ms. Ofelia San Pedro, Ms. Connie Pou and Ms. Claudia Dixon for their hard work on the project. Mr. Pattillo clarified that the scope of the audit was to review the financial statements pursuant to Government Auditing Standards, and rules issued by the State Auditor General. The audit received an unqualified opinion which is the highest level of assurance Ernst & Young can provide. He stated that the audit did not disclose any findings of fraud or illegal acts; or significant deficiencies or material weaknesses in internal controls. Mr. Patillo provided a brief overview about future standards and guidelines affecting the District over the next two years and recommended the District staff familiarize themselves with the new guidelines.

There were no questions or comments from the Audit Committee and Mr. Patillo presented his next item.

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#### **4. Management Letter for Fiscal Year Ended June 30, 2007**

Mr. Patillo reported three new findings and recommendations to the Audit Committee. He stated that the condition regarding the financial statement closing process resulted from staffing-related issues, which would continue to occur due to the implementation of the ERP. He advised management to ensure that supervisory reviews and approvals are in place to prevent significant errors or differences in the financial statements when closing the books. His second recommendation was to consider using internal service funds to account for the District's self insurance program. Mr. Patillo suggested reviewing the chart of accounts using the functionality of the new

ERP system. He proposed segregating the Self Insurance Fund to provide greater transparency of accumulated assets, liabilities and net assets. Lastly, Mr. Patillo commented that ERP projects have better results in implementation when there is independent project monitoring to ensure that benchmarks are met and controls are applied.

Mr. Patillo next commented on the three prior year's findings and stated that the one regarding the tracking of building improvements was satisfied, while those regarding Other Post Employment Benefits (OPEB) and the ERP had not been implemented at this time; but are expected to be removed from next year's findings.

Ms. Tabares Hantman commented on the recommendation for independent monitoring of the ERP implementation. She mentioned the problems Los Angeles had with their ERP system and concurred with Ernst & Young's recommendation.

Ms. San Pedro informed the Audit Committee that she was in full agreement with the proposals made for additional safeguards. She also believed that it was a best practice to have independent oversight of the project. She stated that as part of the process, SAP will provide an independent overview of the ERP development system, at no cost to the District. Ms. San Pedro also formed a committee to meet and evaluate the project on a monthly basis. She plans to present a proposal to the Board to have additional independent oversight at a reasonable cost to the District.

Dr. Perez asked Mr. Patillo if his firm intends to recommend independent audits of the Construction Department.

Mr. Patillo responded that construction was a high risk area and perhaps it would be reasonable to review what the internal audit department had reported in their overall risk assessment to see if there was a need for more construction audits.

Mr. Schomber invited Mr. Vann to discuss the risk assessments on construction at the next Audit Committee meeting. He requested of Ms. San Pedro to submit a definitive report providing a supplemental statement to the Board to indicate their intention of requesting independent oversight for ERP. Ms. Spaht agreed that the management response to the ERP finding was not specific and a follow-up would be provided to the Board and the Audit Committee.

The motion was made by Mr. Gonzalez and seconded by Mr. Tootle and passed unanimously to transmit to the Board for consideration items 3 and 4.

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**5. Annual Financial Statement, Educational Impact Fee Fund for Fiscal Year Ended June 30, 2007**

Ms. Cynthia Borders-Byrd presented her report to the Audit Committee noting there was an unqualified opinion on financial statements for fiscal year ending June 30, 2007. She pointed out that in the Statement of Financial Positions, total assets were \$122 million at the end of June 30, 2006, but at the end of June 30, 2007, declined to

\$59.7 million. She attributed the decline to the slow down in the construction industry, causing revenues to drop 41%. Ms. Borders-Byrd informed the Audit Committee that there was \$290 million dollars in Certificates Of Participation outstanding, backed by the Impact Fee Fund, but stated the District had a strategy to service the debt if the impact fees were exhausted, as there were other revenue sources available. There were no deficiencies in the internal control over financial reporting considered to be material weaknesses and no instances of non-compliance.

Ms. Perez requested to hear the strategies for satisfying the debt.

Ms. San Pedro explained that the District has two mills of which, one is encumbered to cover debt service. To the extent the impact fee revenue is not sufficient the District can use the non-encumbered part of the millage.

Mr. Schomber asked whether the County was remitting monies on time.

Ms. Borders-Byrd replied that there was a payment made to the District of \$5.9 million on July 20<sup>th</sup>, which was timely.

Mr. Schomber made a motion to transmit.

There being no opposition, the item passed unanimously to be transmitted to the Board.



**6. Audit of the WLRN Television and Radio Station for Fiscal Year Ended June 30, 2007**

Mr. Anthony Brunson gave a brief presentation on WLRN's Television Station. In terms of audit scope, he reviewed controls and compliance issues, grants from the state, and the Corporation for the Public Broadcasting System. In addition to issuing an unqualified audit opinion, he found no significant weaknesses or deficiencies in internal controls. His overview of operations provided comparative assets and liabilities from fiscal year June 30, 2007 to the prior year June 30, 2006. The Station had a net assets to capital ratio of 91%, virtually unchanged from the prior year, and there were no significant issues. The working capital or the television station's ability to pay bills was solid. The spending trends for salaries, materials, supplies, remained the same from prior years.

WLRN's Radio Station's asset growth was \$300,000 or 7%. Operationally, there were no significant changes. The net assets were solid and virtually unchanged when compared to fiscal year June 30, 2006 to June 30, 2007. There was some increase in costs due to a new division and HD tower, of which WLRN received a grant to sign on for high definition radio. The Radio Station also had strong working capital, and there were no unusual transactions. The accounting principals followed are commonly used in the industry.

Mr. Brunson reported an audit adjustment by Friends of WLRN of \$585,000. Friend's Finance Committee allocated unrestricted Radio money to cover past debt for the Television Station, which was reflected as a prior year adjustment.

There was a question from the Audit Committee in regards to the deficit and depreciation of the Television Station.

Mr. Brunson explained the Station incurs \$600,000 a year in depreciation that causes the deficit, and there is a slight operating loss each year.

The Stations management further explained that traditionally in public broadcasting it is not uncommon for one service to raise more funds than the other. Monies are taken from Radio underwriting funds and put into the Television operation, because Television is a more expensive operation. The Television Station also bears all the expenses such as building costs, insurance, personnel, etc. They stated that in actuality, the operations of both stations are very healthy.

A motion passed unanimously to transmit the report to the Board.

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**7. Audit of the Magnet Education Choice Association, Inc. (MECA) for Fiscal Year Ended June 30, 2007**

Mr. Brunson presented agenda items 7, 8 and 9 collectively. He provided an overview of each organizations responsibility. The Dade Schools Athletic Foundation, Inc., provides additional resources for sports programs at the school. The Miami-Dade Coalition Community Education, Inc., encourages philanthropy and support for specific

educational programs. The Magnet Education Choice Association, Inc., seeks support for District programs. The organizations are all non-profit and typically have a very small staff. They have met the criteria for Generally Accepted Accounting Principles and their contributions and net assets are restricted for the specific purposes mentioned previously. Each of the groups employs cash and cash equivalent accounting with few liabilities. From a revenue perspective, the Magnet program receives \$600,000 annually, whereas the Coalition receives \$60,000, which is consistent with previous year's audits. There were no significant changes to the group's internal controls.

The motion passed unanimously to transmit to the School Board.

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**8. Audit of the Dade Schools Athletic Foundation, Inc. for Fiscal Year Ended June 30, 2007**

(See Item 7 above)

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**9. Audit of the Miami-Dade Coalition Community Education, Inc. for Fiscal Year Ended June 30, 2007**

(See Item 7 above)

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**10. Review of Charter School Financial Statements**

**Cooperative Charter School  
Excel Academy  
Eugenio Maria de Hostos Charter School  
Liberty City Charter School  
Sandor Wiener School of Opportunity, South  
Spirit City Academy Charter School  
Theodore and Thelma Gibson Charter School**

**ASPIRA Charter School – North**  
**ASPIRA Charter School – South**  
**Doctor’s Charter School of Miami Shores**  
**Early Beginnings Civic Center- United Cerebral Palsy (UCP)**  
**Early Beginnings North Shore (UCP)**  
**Transitional Learning Center (UCP)**  
**Florida International Academy**  
**Lawrence Academy**  
**Rosa Parks Charter School**  
**Sandor Wiener School of Opportunity, North**

Mr. Trevor Williams presented 17 of the audited financial statements of the 56 Charter Schools in operation for the fiscal year 2006-2007 and said he would be presenting the remaining 39 at the January 29 and March 18, 2008 Audit Committee meetings. Mr. Williams explained that the schools presented were organized into three categories. The first group involved six schools that were considered to be in a financial state of emergency based on the review of their financial statements. The second group involved four schools, which were determined to have either moderate to serious issues. The first two groups were informed of our concerns and were asked to provide a response. The remaining seven schools had no significant issues.

Mr. Williams recommended that the Audit Committee not transmit Excel Academy and Cooperative Charter schools as they were not responsive to the issues that were raised. Mr. Williams went on to elaborate that Excel Academy’s first year of operation was fiscal year 2006-2007 and they had an unreserved deficit fund balance of \$9,000. Their independent auditors stated that the school was unable to pay payroll taxes estimated to be \$21,000. The independent auditors also reported six conditions that dealt with business and accounting issues.

Mr. Shapiro inquired if further information had been received on the taxes due and would that not imply interest and penalties accumulating as well.

Mr. Williams replied that no information was provided by Excel and he confirmed that interest and penalties would accrue.

Mr. Williams indicated that Cooperative Charter School had completed its first year of operation and its audited financial statements were submitted over two months late. In the notes to the financial statements, their independent auditors stated that there was an outstanding note payable to a Board member; however, that amount was not reflected in the financial statements, which would have put the school in a technical state of financial emergency, with an estimated net deficient of \$18,000.

Mr. Shapiro questioned what type of note (debt) was provided. Mr. Williams stated that it was a non-interest bearing note on demand.

Mr. Richard Strachan of Cooperative Charter School introduced Ms. Marcia Carty of Cummings Grayson, CPA. Ms. Carty stated that there was no deficit other than what was stated in their records, and asserted that the \$27,300 was a loan payable to management in the Statement of Financial Position.

Mr. Goodman, a district auditor stated that he worked extensively on the charter schools and had numerous communications with the school's administration, and

explained that in the actual Statement of Financial Position the \$25,000 note did not show up as a liability on the financial statements.

After an inconclusive discussion, Mr. Shapiro deferred the issue until additional information was obtained to clarify the issue.

Ms. Valerie Kinnon, President, of Excel Charter School informed the Audit Committee that a Form 941 had been filed with the IRS and once the form was processed, they would enter into an arrangement to pay the payroll taxes owed.

Mr. Williams asked that evidence of the form being filed be provided.

Mr. Shapiro deferred the item until the requested documents were presented.

Ms. Tabares Hantman questioned Liberty City Charter School's financial condition.

Mr. Goodman indicated that the Charter School provided a financial recovery plan showing: (1) a target date of June 30, 2009, that would have them out of financial emergency; (2) a plan to increase enrollment; (3) garnering extra grant funds, and (4) plans to sell real property. He stated that based on all actions outlined, it was deemed to be an adequate financial recovery plan.

Mr. Shapiro asked how Liberty City Charter School had accumulated an operating loss of \$360,000, and commented that the plan submitted would put them in financial jeopardy for another 18 months.

Mr. Williams reiterated that Florida Statutes require the Charter School to submit a financial recovery plan and all items enumerated were considered reasonable and doable.

After an extensive discussion, the consensus was to defer Liberty City Charter School to the January Audit Committee meeting, at which time a representative from the Charter School should be present to answer all matters discussed.

Ms. Greer expressed her opinion that there needs to be a better understanding of the standards and suggested obtaining a survey of what other counties are doing around the state. She expressed her apprehensions and suggested that there was a fear of closing down broken schools, and that on the agenda there is an item where overpayments were made to schools that have now closed, which costs the District numerous dollars, and schools accruing operational deficits from which there is no recovery.

Mr. Shapiro requested the Audit Committee be provided a report on the specifics of the regulations and how they are being enforced elsewhere.

Further concerns were expressed by the Audit Committee on Eugenio Maria de Hostos Charter School's financial statements. A representative from the school was requested to address the issues.

Mr. George Cabrera, the Chief Financial Officer of ASPIRA of Florida represented the school. He gave a short synopsis of the fiscal year 2006-2007 financial condition and explained that the cause behind the matter discussed was a one time issue that occurred with transportation. The transportation company informed them that they would no longer be able to continue their route. This resulted in a withdrawal of 34 students and a decrease in revenue. The school has since hired a new transportation company and had an increase of 74 students which has made up for the deficit.

Mr. Shapiro inquired if there was a written contract with the prior company. Mr. Cabrera affirmed that there was, as disclosed in their financial statements, and a current accounts payable note was on file for legal issues.

Mr. Shapiro motioned to transmit the audited financial statements, with the exception of Liberty City Charter School, Excel Academy and Cooperative Charter School.

There were no objections and the motion passed unanimously.



## 11. Review of Community Based Organizations' Financial Statements

- **Dade Marine Institute**
- **Educational Services of America, Inc.**
- **Recapturing the Vision**

Mr. Williams gave a brief summary of the audited financial statements of three of the eight Community Based Organizations that provide alternative education to our students. He presented highlights of the financial statements of each organization.

Dade Marine Institute has operations at two sites in the County, serving 172 students in grades 6-12. The organization reported revenues of \$2.4 million, of which approximately \$1 million came from the District. Dade Marine Institute had a loss of \$121,000 at the end of the fiscal year ended June 30, 2007 and net assets of over \$1.4 million.

Ombudsman Educational Services is a subsidiary of a larger national company, Educational Services of America, Inc. The organization operates out of 11 sites in the County and serves 540 students grades 9-12. They reported revenues of \$75 million of which \$2.9 million came from the District; and reported a net loss of \$8.6 million. The organization has an estimated \$25 million in retained earnings.

Recapture the Vision provides services to 175 students in grades 6-12 from one location in the County. For its most recent fiscal year, they reported revenues of \$1.8 million, of which \$800,000 came from the District. They had an operating surplus of

\$87,000 and net assets of \$722,000. Mr. Williams believed that all the organizations were doing well financially and recommended transmittal.

Mr. Kemp questioned why Ombudsman's \$8 million loss in one year was not considered a significant issue.

Mr. Williams replied the organization had some issues that contributed to the loss; however, when reviewed in its national presence, the net operating loss was not as much of a concern. In his professional opinion, he did not view any of the present conditions to be terribly disturbing. They were not a trend and the losses were due to restructuring in the Corporation's ownership.

Ms. Greer inquired about Ombudsman's operational costs; if the parent company was signed on to the District's contract and to the operating gain or loss of the subsidiary – Ombudsman.

Mr. Williams informed Ms. Greer that the organization does not report the operating gain or loss of the subsidiary separately. Ombudsman's contract does not require it, but the organization does report supplementary information on the subsidiary's expenditures.

Ms. Greer asked the School Board Attorney, Ms. JulieAnn Rico to research the requirements of the contract. The District has no proof that the parent company will

stand behind their subsidiary. She stated either we have the parent with an \$8 million loss or we have the subsidiary and their operating statements.

Mr. Shapiro asked if the corporate relationship between Educational Services of America, Inc., and Ombudsman Educational Services, Ltd., is a wholly-owned subsidiary.

Mr. Williams answered in the affirmative.

Mr. Shapiro commented that typically if the contract is between the District and Ombudsman Educational Services, Ltd. the parent would not absent some kind of assumption by way of a contract any obligation for the financial liabilities of the subsidiary. He expressed his agreement with Ms. Greer that either the District has the contract that is guaranteed or backed up by the parent or it has a contract with the subsidiary and entitlement to the financial information. Ms. Rico commented that she would probe the matter further and report to the Committee on her findings.

Mr. Schomber proposed the motion to transmit Recapturing the Vision. However, additional information was requested by the Committee from Mr. Williams and Ms. Rico on Educational Services of America, Inc., namely: (1) who was responsible for the operating losses; (2) if the subsidiary is to provide the financial information; and (3) how they propose to rectify the situation they have found themselves in. Ms. Tabares Hantman seconded the motion.

There being no opposition, the motion passed unanimously.

**12. Follow-up on Determination of Overpayment of Community Based Organization's FTE Revenues and Recovery Plan**

Mr. Williams addressed the Committee regarding its and the Chief of Staff request for a determination of the potential amount of overpayments to certain Community Based Organizations. Mr. Williams stated that he worked closely with Alternative Operations, Procurement, School Operations, and the Board Attorneys' office on this project. He thanked the departments collectively for their input and the tremendous amount of work they provided.

The results of the exercise were that seven organizations that had contracts with the District for the fiscal years 2003-2006 were found to have been overpaid. The total estimated overpayment was \$551,000 and a schedule was provided reflecting what is owed by each of the organizations. Each respective agency was notified as to the amount overpaid; and they were provided with payment options. In addition, an amendment was made to the contract with each of the organizations stipulating that the pending overpayment has to be satisfied before moving forward with new contracts with the District.

Ms. Tabares Hantman questioned whether the organizations would be able to repay the amounts due.

Mr. Williams replied that each agency was presented with four payment options, but as to whether the organization can repay the debt, he did not know. He commented that one of the options presented was to deduct any amounts due from future payments.

Mr. Shapiro asked if the root cause leading to the overpayments had been detected or determined.

Mr. Williams answered that there was a misinterpretation of the contract, which has since been resolved.

Mr. Schomber inquired about how have the organizations responded. Mr. Williams replied that two organizations had contacted him directly about the matter.

The motion passed unanimously to transmit to the Board for its consideration.

## **INTERNAL AUDITS**

### **13. Office of Management and Compliance Audits' Activity Report**

Mr. Vann provided an overview of the audits that had been completed and future audits planned. He informed the Audit Committee that the department planned to audit the award and administration of construction projects. There were also plans to audit the construction claims, allowances, and contingencies. The Committee was updated on the audit that was done on the Homestead Educational Facilities Benefit District that donated land for the construction of school facilities. He explained that he was currently waiting on a response from Mr. Torrens before submitting a report. In

conclusion, Mr. Vann believed that the Internal Audit department fulfills all of its responsibilities as it relates to auditing construction related areas.

The report was for informational purposes only and there was no action taken.

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**14. Audit of Custodial Services – Payroll, Timekeeping and Personal Related Issues**

Mr. Williams presented his summary of the report and informed the committee that there were three findings. The first finding dealt with payroll and recordkeeping matters; mainly in the areas of attendance and overtime. The recordkeeping was found to be substandard with room for improvement. Inefficiencies uncovered found that the Department and Administrator that approves the payroll had no relationship to Plant Operations. It was recommended to have the payroll approved by the administrator in charge of Plant Operations. The administration was also asked to review the District's payroll procedures and comply with them. The second finding had two head custodians who did not meet the minimum qualifications for their position. The Administration was asked to put procedures in place to ensure that staff meet the qualifications for their positions. Lastly, school site administrators were found to be using funds budgeted for custodial supplies for other purposes.

Ms. Tabares Hantman asked if it was the school site's responsibility to keep attendance. Mr. Torrens explained that in regards to the school site custodians it is

the school's responsibility, but there is another set of custodians that are attached to Plant Operations, to which the report is referring.

The motion passed unanimously to transmit the report to the Board for its consideration.

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**15. Audit of Employee Instructional Certification, Fingerprinting and Background Checks**

Mr. Williams explained to the Audit Committee that the audit was performed on the functions not the departments, namely certification, fingerprinting, and background checks. Mr. Williams found that instructional staff were properly certified and there was an adequate process in place to monitor the certification requirements for instructional staff. Of 26 out-of-field teachers sampled, only one did not have the approved Board waiver. All applicants, vendors, and volunteers were properly fingerprinted and background checked. There were good internal controls over monies collected for the fingerprinting process. However, controls were inadequate over monies collected for employee certification.

Mr. Williams saw opportunities for improvement relating to fingerprinting and background checks. The fingerprinting and background checking cycle for applicants with criminal history was found to be too lengthy. In particular, it took 149 working days to complete background checks on vendors with criminal history. In the area of instructional certification, cash management, reconciliations and receipt logs kept were

inadequate. There was a lack of segregation of duties – some incompatible functions were handled by the same individual. Monies collected were not turned over to Treasury Management for deposit in a timely manner. The out-of-field approval waiver process from the Board was found to be extremely cumbersome.

Recommendations include developing specific timelines for completing the review cycle and fingerprinting background check. It was also recommended that management develop an adequate chain of custody. Because four different departments were involved, the handling of documents was not always consistent. Periodic reconciliations of fees received and funds remitted to the State of Florida are needed. Staff needs to maintain a more complete receipt log. Duties that are incompatible should be separated. Funds received should be deposited daily. Finally, to help make the process more efficient, Board approved waivers need to be linked to the actual data base where the information is kept.

Mr. Shapiro questioned if the applicants or vendors were allowed to have contact with the children before the background check is completed.

Management answered in the negative.

There was no further discussion and the motion passed unanimously to transmit to the Board for its consideration.



**16. Internal Audit Report School Audits (s)  
Selected Schools – Schools With a Change of Principal School Improvement  
Zone Schools**

Ms. Maria Gonzalez provided a detailed summary of the school audits. She informed the Audit Committee that she had completed 60 school audits – 20 were discussed in September and she would be presenting today 40 schools. For the first time there were three FTE audits to present as well. The audit findings consisted of payroll, internal funds, and FTE. In regards to FTE, there were issues with recordkeeping and certification. Miami Central Senior High School had issues with property missing, but the school has provided a corrective action response.

Dr. Perez asked why there were so few Title I audits performed.

Ms. Gonzalez explained that there was only one audit position funded through Title I.

Ms. Tabares Hantman commented on Miami Central Senior High School's property issue. She recalled that the school had the same problem in the previous year.

Mr. Shapiro added that he was not impressed with the school's response. He asked what action would be taken and what items were missing.

Dr. Geneva Woodard answered that the Business Manager and the Co-Principal would be put in charge of property accountability, but the computers were unable to be located.

Mr. Schomber inquired if there were preventive measures in place to ensure the thefts do not occur again.

Dr. Woodard replied that the computers were being moved to another location with security cameras, and the Business Manager and Co-Principal would be the only persons with keys to the area.

There were no further questions and the motion to transmit to the Board. was passed unanimously

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**17. Audit of Year-End Inventories Textbook Inventory Services, Food & Nutrition, Stores and Mail Distribution, Maintenance Materials Management and Transportation as of June 30, 2007**

Ms. Gonzalez presented her report and gave a brief presentation.

There were no questions asked, and the motion was passed unanimously to transmit to the Board.

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**18. Solicitation for Outside Auditor Services**

Ms. Barbara Jones reported that there were four responses to the RFP. The Audit Committee would be presented with the proposals at the next scheduled meeting. The

proposal was scheduled to go before the Board at its April 18, 2008, School Board meeting.

The report was for informational purposes only and there was no action taken.

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**19. Inspector General Update**

Ms. Rico reported that the contract had been transmitted to the County for consideration and they were waiting on the County Commissioner's approval scheduled for December 18, 2007.

Dr. Perez asked if the contract would have to come back before the Board again once the approval was given.

Ms. Rico answered that the changes were minor and they would not need Board approval.

Mr. Schomber questioned how the Inspector General would be paid.

Ms. Rico informed him that the District would be billed on a quarterly basis.

Mr. Vann elaborated that the payment would be based on the level of effort and the District would provide office space and limited staff.

There were no further questions. The report was for informational purposes only and there was no action taken.

**20. New Business**

Ms. Tabares Hantman complimented staff, management, and administration on the local government investment issue. She also acknowledged the contribution of the Treasury Advisory Committee and complimented the Superintendent for swift action. Mr. Vann presented a certificate of appreciation for Mr. Carlos Trueba for his years of service to the Audit Committee. He also learned that after 4.5 years of service Ms. Lydia Aguirre had also stepped down as an Audit Committee member and he requested the Committee's approval to provide her with a certificate of appreciation as well. Mr. Vann also presented Mr. Julio Miranda with a plaque for the work he has provided in the Inspector General's office since September 2005.

**Adjournment**

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The meeting was adjourned at 3:35 p.m.