

**REVISED MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
December 2, 2008**

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The School Board Audit Committee met on Tuesday, December 2, 2008 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Ms. Betty Amos, Chair  
Mr. Robert Schomber, Vice Chair  
Ms. Perla Tabares Hantman, Board Member  
Mr. Manuel A. Gonzalez  
Ms. Susan M. Kairalla  
Mr. Peter A. Lagonowicz  
Mr. Jose F. Montes de Oca  
Mr. Jeffrey B. Shapiro  
Mr. Frederick F. Thornburg, Esq.  
Mr. Nick Tootle

Non-Voting:

Mr. Allen M. Vann

**Members Absent:**

Mr. Willie Kemp

**Call to Order**

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Ms. Amos, Chair called the meeting to order at 12:32 p.m.

**Introductions**

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

Dr. Lawrence Feldman, School Board Member	Ms. Sylvia Rojas, Treasurer
Dr. Martin Karp, School Board Member	Ms. Connie Pou, Controller
Dr. Marta Pérez, School Board Member	Ms. Maria T. Gonzalez, Asst. Chief
Mr. Alberto Carvalho, Superintendent of Schools	Mr. Trevor L. Williams, Asst. Chief
Mr. Luis M. Garcia, Acting School Board Attorney	Mr. Michael Bell, Administrative Director
Mr. Freddie Woodson, Deputy Supt.	Dr. Consuelo V. Dominguez, Administrative Dir.
Dr. Richard H. Hinds, CFO	Mr. Will Gordillo, Administrative Director
Mr. Jaime Torrens, Chief Facilities Officer	Ms. Cynthia Gracia, Administrative Director
Ms. Milagros Fornell, Associate Supt.	Mr. Jerry Klein, Administrative Director
Mr. John Schuster, Chief Comm. Officer	Dr. Christine Masters, Administrative Director
Dr. Magaly C. Abrahante, Asst. Supt.	Ms. Marta Montaner, Administrative Director
Ms. Maria Teresa Rojas, Asst. Supt.	Ms. Virginia Byrd, Administrative Assistant
Dr. Marcos M. Moran, Regional Supt.	Ms. Jackeline Fals-Chew, Administrative Asst.
Mr. George A. Nuñez, Regional Supt.	Ms. Denise Izquierdo, Administrative Assistant
Dr. Essie S. Pace, Regional Supt.	Ms. Ana Lara, Administrative Assistant
Ms. Judith Marte, CBO	Ms. Jannette Montalvo, Administrative Assistant
Ms. Enid Weisman, Hourly Administrator	Ms. Mindy McNichols, Senior Attorney

Dr. Daniel Tosado, Principal  
Ms. Dalia Rosales, Administrative Assistant  
Mr. Carlos Saladrigas, Administrative Assistant  
Ms. Bertha Valcarcel, Staff Member Ms. Hantman  
Ms. Caroline Neves, Intern, Dr. Feldman  
Mr. Rafael Urrutia, Accountability Officer  
Ms. Ana Rijo Conde, Planning Officer  
Mr. Antonio Martinez, District Director  
Mr. Julio C. Miranda, District Director  
Mr. Victor Ferrante, Executive Director  
Ms. Tiffanie Pauline, Executive Director  
Mr. Orlando Alonso, Director  
Ms. Maggie Betancourt, Director  
Mr. Lander Carn, Director  
Mr. Jon Goodman, Director  
Ms. Vivian Villaamil, Director  
Ms. Tamara Wain, Director  
Ms. Dina Pearlman, Information System Design  
Mr. Dylan Hughes, Supervisory Special Agent  
Ms. Oria Duarte, Auditor  
Mr. Michael Hernandez, Auditor  
Ms. Nelly Fuentes-Lacayo, Auditor

Ms. Ana R. Craft, Senior Real State Attorney  
Ms. Cynthia Borders-Byrd, CBorders-Byrd, CPA  
Mr. Michael Pattillo, Partner, E&Y  
Mr. George Cabrera, Aspira of Florida  
Mr. Fernando Lopez, Aspira of Florida  
Ms. Aymet Chaples, Aspira of Florida  
Mr. Raul Martinez, Aspira of Florida  
Mr. Manuel Valdes, Aspira of Florida  
Mr. Diego Ramirez, Charter on the Beach  
Ms. Gladys Palacio, Charter on the Beach  
Mr. Michael Roegge, Dade Marine Institute  
Mr. Keith Burnett, Lawrence Academy  
Mr. Mark Gotz, Miami Community Charter Middle  
Mr. John Edmond, Miami-Dade Coalition  
Ms. Liz McGettigan, Sandor Wiener Charter  
Mr. Frank Gaitan, Sandor Wiener Charter  
Mr. Tony Brunson, Sharpton, Brunson & Co., P.A.  
Mr. Rudy Larrimore, Sharpton, Brunson & Co. P.A.  
Ms. Angela Klinedins, Oxford Academy  
Mr. Jorge DeLa Torre, Oxford Academy  
Mr. Dan Ricker, Watchdog Report

### **1. Approval of the Minutes of the Audit Committee meeting of November 13, 2008**

A motion was made by Mr. Tootle and seconded by Mr. Gonzalez to approve the minutes of the November 13, 2008 Audit Committee meeting. The motion was carried unanimously.

### **2. Introduction of new Audit Committee Members – Mr. Peter A. Lagonowicz, Esq. and Mr. Jose F. Montes de Oca, CPA**

Mr. Vann introduced new Audit Committee members, Mr. Peter Lagonowicz. Mr. Lagonowicz stated that he is a tax attorney and that he looks forward to working with the Committee.

Mr. Montes de Oca introduced himself and thanked Dr. Feldman for appointing him to the Committee.

Dr. Feldman provided background information on Mr. Montes de Oca's lengthy career with the District.

#### **EXTERNAL AUDITS:**

### **3. Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008**

Mr. Pattillo mentioned that, before his presentation of the 2008 Financial Statement Audit Results report, he wanted to note that management did a terrific job to complete the Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2008 even though there were some staffing constraints. He also noted that there were some adjustments late in the game that he will explain further on.

Mr. Pattillo gave an overview of the audit results on the School Board of Miami-Dade County, Florida financial statements for fiscal year ended June 30, 2008.

Mr. Thornburg referred to the Audit Committee Considerations in the report and asked if the Audit Committee considerations are fairly consistent with prior years.

Mr. Pattillo responded no, this is an added section.

Ms. Amos suggested that the Audit Committee should review this section further and have a discussion in the future.

#### **4. Management Letter for Fiscal Year Ended June 30, 2008**

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Mr. Pattillo reported the following two findings: 1) Finding 2008-1 financial statement close process, which consists of certain deficiencies in the financial statement close process that resulted in financial reporting classification and similar audit differences in the District's basic financial statements, requiring audit adjustments. He noted that a recommendation was issued and that management's response refers to staffing constraints with the ERP project, as well as some other issues which were similar to last year's finding. 2) Finding 2008-2 deterioration of financial condition. Mr. Pattillo explained that, as required by the Rules of the Auditor General, they are reporting that there is and has been a significant deterioration in the financial condition of the School District. However, they are not reporting that the District is in a state of financial emergency as defined in the Statute. Mr. Pattillo referred to page 3, and explained that the trend shows the results of the deteriorating conditions. He expressed that this is serious and if it's not dealt with appropriately there can be a state of financial emergency. Mr. Pattillo noted that there is a fairly substantial response and explained that he is aware of recent changes in management.

Mr. Schomber asked if the external auditors test the budget looking forward against the assumptions.

Mr. Pattillo responded that they do not look at the budget and noted that they are not consultants. He explained that what they look at in respect to the budget is compliance. To satisfy Mr. Schomber's concern Mr. Pattillo suggested an audit of historical financial statements performed by the internal auditors.

Mr. Schomber expressed concern on what mechanisms are being put in place to prevent this from happening again.

Superintendent Carvalho explained that he has invited the audit department to be part of the budget process.

Dr. Hinds spoke about a practice implemented a few years ago called the Budget Estimate Conference that was attended by all senior management officials with the region superintendents and principals. These officials reviewed all the key budget estimates. This practice died out in the last couple of years. Dr. Hinds stated that with Mr. Carvalho's support he would like to reinstitute this practice.

Ms. Kairalla stated that at several Board meetings it was mentioned that there would be monthly budget updates. She believes that it is also the responsibility of the Audit Committee to review the budget and become more involved.

Ms. Amos explained that she chairs the Audit Committee of the University of Miami and noted that they have a separate finance committee whose duty is to review the budget. She believes that this is not the function of the Audit Committee.

Ms. Hantman expressed dissatisfaction that the Board was provided the 2007-08 FY Budget for approval, which the Board approved with erroneous numbers.

Dr. Hinds explained where the errors may have occurred. He noted that he and Superintendent Carvalho are committed to turn this around.

Superintendent Carvalho explained that in an attempt to balance the budget, a reduction of \$123 million was made and there is still a gap of \$36 million prior of getting the work on the upcoming \$65 million shortfall. He explained that by technical perspective the District is okay. However, he said that the \$36 million reduction has to happen, and hopes that the \$65 million reduction does not happen, but recent history does not reflect that it will not happen.

Mr. Schomber commended Dr. Hinds and was glad that he is back. Mr. Schomber inquired if there is a way of institutionalizing this budget process.

Dr. Pérez agrees with Mr. Schomber and also agrees with the implementation of a finance committee.

Mr. Thornburg stated that he reviewed their function as an Audit Committee and believes that the Audit Committee is lapping over in both areas. Furthermore, the Audit Committee should revisit their mission. He spoke on several areas that the Audit Committee should be involved; however the Committee does not have the spear of authority. He agrees with the notion of institutionalizing the approach. He also offered to have management bring back to the Committee any solutions to review and the Committee may offer suggestions and to finish, he stated that there is a lack of pro-activity in terms of preventing problems.

Dr. Feldman stated that the Board is publicly accountable; and to what degree does the Board have a legal responsibility to follow up on the public accountability in terms of the information that they received that was incorrect. He believes the public deserves the right to know.

Superintendent Carvalho explained that challenges were identified through a number of Board workshops. He suggested that the next step is to develop a document that institutionalizes for generations to come how we calculate the budget.

Ms. Hantman agreed with Dr. Feldman and the Superintendent's comments. In addition, she noted that there must be a document with the history of what happened.

Ms. Kairalla suggested that this document be presented in a format similar to an audit format.

Ms. Amos suggested that Mr. Vann work with Dr. Hinds and come back to the Committee.

Mr. Vann shared some of his thoughts on the matter at hand. He noted that he agrees with the establishment of a Finance Committee.

Mr. Shapiro closed the discussion with the following motion, which was seconded by Mr. Thornburg, and carried unanimously, for a follow-up recommendation from the Superintendent with respect to a system to be implemented, whether it represents a combined Audit and Finance committee or another mechanism, to provide the School Board with assurance that the development of future budgets will be based on accurate and supportable assumptions, and the subsequent execution of the budget is appropriately monitored. The Comprehensive Annual Financial Report (see item 3) and Management Letter will be transmitted to the School Board.

#### **5. Annual Financial Statement, Educational Impact Fee Fund for Fiscal Year Ended June 30, 2008**

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Ms. Borders-Byrd presented her report to the Audit Committee noting that the financial statements for fiscal year ended June 20, 2008 present fairly, in all material respects the financial position of the Educational Facilities Impact Fee Fund.

Mr. Schomber asked how the valuation of the land upon which the impact fee is based is verified by the School Board.

Ms. Rijo Conde responded that the School Board hires independent appraisers to value the land in question.

Superintendent Carvalho commented that he is comfortable with the way the valuation process is done but expressed concern as to how long it has been since the impact fee structure has been looked at.

Ms. Rijo Conde explained that the first impact fee ordinance was adopted in 1995 and to-date, recommended revisions have not been adopted by Miami-Dade County. The proposed revisions were approved by the Board of County Commissioners and subsequently scheduled for a public hearing. At that time, the item was tabled and to-date, a public hearing has not been rescheduled.

Mr. Montes de Oca referred to page 21 and noted that in the management response it states that the District will send a letter to Miami-Dade County requesting the revisions to impact fee ordinance. Mr. Montes de Oca asked if the letter had been sent.

Ms. Rijo Conde responded that the letter has been drafted and noted that, more importantly, they have to engage in more active discussions.

Ms. Amos referred to page 10 and asked why the administrative expenditures increased in 2008 when compared to 2007.

Ms. Pou explained that the increase reflects the abatement charge of 1.8% not charged in past years.

There was no further discussion. A motion was made by Mr. Schomber, seconded by Mr. Shapiro, and carried unanimously, to recommend that the Educational Facilities Impact Fee Fund Special-Purpose Financial Statements June 30, 2008 and 2007 be received and filed by the School Board.

- 6. Audit of the Magnet Education Choice Association, Inc. (MECA) for Fiscal Year Ended June 30, 2008**
  - 7. Audit of Dade Schools Athletic Foundation, Inc. for Fiscal Year Ended June 30, 2008**
  - 8. Audit of the Miami-Dade Coalition Community Education, Inc. for Fiscal Year Ended June 30, 2008**
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Mr. Brunson made a presentation on agenda items 6, 7, and 8 jointly and provided an overview of each organization's responsibility. The Dade Schools Athletic Foundation, Inc., provides resources for the promotion of interscholastic sports. The Miami-Dade Coalition Community Education, Inc., encourages private and public philanthropic support for community education programs. The Magnet Education Choice Association, Inc., provides educational resources to the Magnet School Programs. The organizations are all non-profit and operated as Miami-Dade County School Board direct-support organizations. The organizations adopted requirements of FASB 117 "Financial Statements of Non-Profit Organizations" and the contributions and net assets are usually restricted for specific purposes. He provided a snapshot of the Assets, Liabilities and Equity and noted that the Liabilities are minimal. In conclusion, he mentioned the revenues and expenses of the group.

Mr. Montes de Oca referred to page 5 of the MECA report and inquired about the restricted net assets that were never received.

Mr. Brunson responded that those assets are temporary restricted and will pass through to next year.

Ms. Amos also referred to page 5, and asked how much revenue comes from the private sector.

Mr. Larrimore responded that most of the contributions come from individual schools.

There was no further discussion. A motion was made by Mr. Shapiro, seconded by Mr. Schomber, and carried unanimously, to recommend that the Audits of the Magnet Education Choice Association, Inc. (MECA), Dade Schools Athletic Foundation, Inc., Miami-Dade Coalition Community Education, Inc. for Fiscal Year Ended June 30, 2008 be received and filed by the School Board.

## **9. (a) Review of Audited Financial Statements and Financial Recovery Plans for Seven Charter School**

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Mr. Williams provided background on the charter schools being presented. He explained that the seven schools were in a technical state of financial emergency as of June 30, 2008. One of these seven schools, Oxford Academy of Miami, had its charter contract terminated at the November 18, 2008 School Board meeting, due to unacceptable financial management practices and non-compliance. The charters of an additional three charter schools, Excel Academy, Excel Academy Middle and Spirit City Academy were terminated at the same School Board meeting due to unacceptable fiscal management, non-compliance, and poor academic performance. Pursuant to School Board Rule, a Financial Recovery Plan Staff Group (FRSG) comprised of staff from the Office of Management and Compliance Audits, Charter School Operations, and Budget Management convened to review the plans as to their acceptability, and recommended to the Chief Auditor their approval or denial. As detailed below, five of the seven plans were deemed acceptable but two were not.

### Acceptable Financial Recovery Plan:

- Charter on the Beach Middle School
- Eugenio Maria de Hostos Leadership Charter School
- Lawrence Academy Senior High
- Sandor Weiner School of Opportunity, North
- Sandor Weiner School of Opportunity, South

### Unacceptable Financial Recovery Plan:

- Miami Community Charter Middle
- Oxford Academy of Miami

Mr. Shapiro expressed concern in regards to the sufficiency of a pledge made by the President of Aspira of Florida, Inc. to Eugenio Maria de Hostos Leadership Charter School to defer the collection of certain debt.

Mr. Williams explained that the FRSG was aware of this issue and decided to recommend for approval and further monitor the situation.

Mr. Shapiro expressed concern that, in these types of situations, the School Board Attorney should be involved to best protect the District's interest. Mr. Shapiro strongly recommended that a resolution be provided from that School Board.

A motion was made by Mr. Thornburg and seconded by Ms. Hantman to request a Board resolution from Eugenio Maria de Hostos School Board and have the Office of Management and Compliance Audits consult with the School Board Attorney to opine on the resolution.



Ms. Amos commended the staff of Sandor Weiner. She commented that the financial recovery plan submitted was well presented on paper and noted that she hopes the school follows through with their plan.

A representative of Oxford Academy made some comments regarding their plan of action for recovery.

A representative from Miami Community Charter asked for clarification on his next step because his recovery plan was not accepted. Mr. Bell told him to resubmit his plan to the FRSG.

Mr. Shapiro proposed the motion to transmit the five charter schools. However additional information was requested by the Committee from the Office of Management and Compliance Audits to consult with the School Board Attorney relative to the sufficiency of a pledge made by the President of Aspira of Florida, Inc., to Eugenio Maria de Hostos Leadership Charter School to defer the collection of certain debt. Mr. Schomber seconded the motion, and it carried unanimously.

#### **9. (b) Review of Community Based Organization- Dade Marine Institute, Inc.**

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Mr. Williams gave a brief overview of the audited financial statement Community Based Organization – Dade Marine Institute, Inc., (DMI) that provides alternative education to students. Mr. Williams noted that the auditors concluded that the financial statements were presented fairly in all material respects.

Ms. Amos inquired about the allocation of management and general expenses from the parent company to DMI and asked for clarification on a dollar amount that is not included in the accompanying financial statements.

A DMI representative responded that he would provide that answer to the Office Management and Compliance Audits/Audit Committee.

Ms. Amos requested to have that percentage provided.

There was no further discussion. A motion was made by Mr. Schomber, seconded by Mr. Montes de Oca, and carried unanimously, to recommend that the financial statements of Community Based Organization – Dade Marine Institute, Inc. be received and filed by the School Board.

#### **10. Office of Management and Compliance Audits Activity Report**

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Mr. Vann explained that the internal audit department is at its full capacity of audit work as outlined in the audit plan. Nevertheless, the internal audit department will be involved with the budget process and noted that he will be meeting with Dr. Hinds to work out the details.

He also explained that, as a request of the acting Chief of Police, Mr. Vann will be conducting an operational audit of school police that was not part of the original audit plan.

Ms. Amos asked Mr. Vann if he has sufficient staff.

Mr. Vann responded that he is not requesting additional staff.

Mr. Montes de Oca commented that the Audit Committee should give Mr. Vann some flexibility in light of the discussions of the additional responsibilities given to Mr. Vann.

Ms. Amos commented that Mr. Vann should come back to the Audit Committee if he needs additional flexibility.

Mr. Vann explained that, by the January update, he might have a better idea as to the level of resources and time that would be required to devote to the budget project.

This report is for informational purposes and no action is required.

## **11. Internal Audit Report – School Audits**

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### **a) Selected Schools**

### **b) North Central Regional Center Schools**

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Ms. Gonzalez summarized both audit reports. These reports include the audits of 81 schools for the fiscal year ended June 30, 2008. Forty-one were audited as a result of a change of principal. She explained that the audits included a review of internal funds and payroll records at all the schools. On a selected basis, credit card purchases, Title I Program procedures, FTE, school site IT controls, and data security were audited. She noted that \$45 million in property was also reviewed.

Ms. Gonzalez stated that the audits disclosed that the financial statements of the schools were fairly stated. She noted that at five schools, the fiscal management and oversight over certain programs/functions need improvement. At one school, there was excessive spending of Title I funds.

Ms. Hantman inquired about Hialeah Senior High exceptions. She asked if these issues had occurred in the past.

Ms. Gonzalez responded that it did not.

Ms. Hantman asked Ms. Gonzalez if she was satisfied with management's response.

Ms. Gonzalez responded yes, she was satisfied.

Mr. Shapiro referred to page 2 of the Selected Schools report and asked what discretion principals have in establishing banking relationship.

Ms. Gonzalez responded that the principals have the flexibility to choose a bank of their choice from a list provided to them by the Office of Treasury Management.

Superintendent Carvalho commented that an area they are looking into is centralized banking.

Mr. Woodson pointed out that he will work with the Region Superintendents and review the depository process and make any necessary changes.

Dr. Feldman said he was pleased that Mr. Kalinsky is the Principal at North Twin Lakes Elementary School. He suggested that in future school reports the principal responsible for the audit period be identified.

Mr. Shapiro referred to page 6 of the Selected Schools report and expressed concern regarding the John F. Kennedy Middle School's mismanagement of IT equipment and supplies' purchases.

Dr. Moran explained that the existing principal is taking action to implement proper procedures.

There was no further discussion. A motion was made by Mr. Shapiro, seconded by Mr. Thornburg, and carried unanimously, to recommend that the Internal Audit Report – School Audit (s) – Selected Schools and North Central Regional Center Schools be received and filed by the School Board.

## **12. Audit of Supplemental Education Services**

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Mr. Williams introduced the report and explained that the objectives of the audit were to review the internal controls over the expenditures of funds from the District to the SES providers, and to review the effectiveness of promoting the program to eligible students and service delivery. He explained that the audit concluded that the Title I Administration Office runs an effective and successful campaign to promote SES to eligible students. He stated that nevertheless, controls over the vendor payment process need improvement, and regulations and contractual provisions need to be more carefully complied with by the vendors.

Mr. Vann explained that he had a discussion with Mr. Carvalho before he became the Superintendent, and that Mr. Carvalho suggested to Mr. Vann that this is a program that should be audited because of the inherent weaknesses of this program.

Mr. Williams referred to page 15 of the report and stated that this finding is extremely important and should be given great consideration.

The Superintendent then provided comprehensive information on the program's background, including its financial impact; its inherent weaknesses; the political climate surrounding the program; the inability of the District to exercise control over the SES service providers; and the attendant challenges and options the District faces.

Various committee members expressed their disbelief and concerns upon reading the report. And Ms. Hantman asked what can be done to address their concerns?

The Superintendent spoke further about the program and stated that concerns about the program could be addressed through the legislative process. Therein, the District could ask for the incorporation of greater accountability, and fair and objective evaluation of the program.

Mr. Schomber suggested that the District provide the SES services in-house, using its own teachers.

The Superintendent talked about his efforts taken thus far to have the District be an SES provider, and pointed out that he will have a discussion with the Commissioner of Education about this. He, however, warned that the idea might not be welcomed by the other SES providers, who would exercise whatever political leverage available to them.

Following some further discussion on the subject, Ms. Amos moved that a follow-up on the on-going police investigation and a complete follow-up on the audit be brought back to the Audit Committee.

After further discussion, a motion was made by Mr. Shapiro, seconded by Mr. Thornburg, and carried unanimously, to recommend transmittal of the report to the School Board.

**13. Audit of Year-End Inventories Textbook Inventory Services, Food & Nutrition, Stores and Mail Distribution, Maintenance Materials Management and Transportation as of June 30, 2008**

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Mr. Williams introduced the report and noted that the audit included physical inventory counts, testing the counts, and verifying the prices at which the inventories were valued. In addition, the physical inventory results were compared to the perpetual inventory records, to the general ledger and to the amounts reported in the Annual Financial Report. Mr. Williams reported that the audit disclosed that year-end inventories totaling \$19.6 million were fairly stated in the Annual Financial Report. Mr. Williams explained that internal controls were satisfactory, but some processes related to inventory reconciliations of the Department of Transportation could be improved.

Mr. Montes de Oca referred to page 13, he inquired about the tire theft and asked who requested the investigation and also asked about the status of the investigation.

Mr. Klein responded that the maintenance staff discovered the discrepancy and some arrests may be forthcoming.

Ms. Amos requested a follow-up on the status of the tire theft.

There was no further discussion. A motion was made by Mr. Shapiro, seconded by Mr. Thornburg, and carried unanimously, to recommend that the Internal Audit Report – Audit of Inventories As of June 30, 2008 be received and filed by the School Board.

#### **14.(a) Follow-up Review Report – Custodial Services – Payroll, Timekeeping and Personnel Related Issues**

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Mr. Williams introduced the report. He noted that the prior audit conclusions included: 1) Poor payroll recordkeeping and documentation practices; 2) Need for Head Custodians to meet the minimum qualifications for their positions; and 3) School site administrators should refrain from using custodial service funds to purchase non-custodial services and materials. Mr. Williams stated that five of the seven recommendations were fully implemented and two were not implemented.

Mr. Nuñez clarified that the head custodian whose credentials were questioned was not promoted. He explained that this individual transferred to a different location and was grandfathered in.

Mr. Williams stated that this custodian did not have the credentials to begin with.

The Office of Management and Compliance Audits will further monitor their actions to ensure that the remaining recommendations are fully implemented.

This follow-up review report was for informational purposes.

#### **14.(b) Follow-up Review Report – District’s Fuel Inventory Controls**

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Mr. Williams introduced the report. He noted the following prior audit conclusions 1) Internal controls needed to be strengthened over fuel receipts and inventory reconciliations 2) Fuel pricing errors and filings for tax rebates were also issues that management needed to address, 3) Staff training in cost accounting techniques and 4) Monitoring fuel usage. Mr. Williams stated that of the 12 recommendations, ten recommendations were fully implemented and two were partially implemented.

The Department has largely overcome its past difficulty in managing the District’s fuel inventory by strengthening controls.

Mr. Montes de Oca referred to page 9 and asked if any disciplinary action was taken with the employee in question.

Mr. Alonso responded that this employee had a conference for the record, was transferred to a different location and is closely supervised.

Mr. Schomber commended Mr. Klein for correcting the issues. Mr. Schomber referred to page 9 and asked if there is a method to track the unusual transactions.

Mr. Klein responded that their task is to make sure that every department was made aware of which vehicles had the problems and make sure they address it.

Mr. Schomber requested a follow up on the number of reports and gallons.

This follow-up review report was for informational purposes.

## **15. New Business**

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Mr. Thornburg inquired about the Board resolution for the Audit Committee and asked what the duties of the Audit Committee are.

After some discussion, Ms. Amos requested that the Audit Committee's Charter responsibilities be reviewed.

Mr. Vann made a suggestion to provide an overview of best practices and recommend changes to the Board rule for the Committee's consideration.

Mr. Thornburg gave accolades to Mr. Vann and staff for a job well done with the audits and the manner in which they were presented.

The Committee agreed to address the Audit Committee's scope.

## **Adjournment**

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Ms. Amos adjourned the meeting at 4:00 p.m.