

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
May 14, 2019**

The School Board Audit and Budget Advisory Committee (ABAC or Committee) met on Tuesday, May 14, 2019, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Erick Wendelken, CPA, Chair
Mr. Christopher Norwood, J.D., Vice Chair
Mr. Jeffrey Codallo
Mr. Stephen Hunter Johnson, Esq.
Mr. Jeffrey Kaufman
Dr. Nancy Lawther, PTA/PTSA President
Mr. Julio C. Miranda, CPA, CFE
Mr. Rudy Rodriguez, CPA
Ms. Mari Tere Rojas, School Board Member
Mr. Isaac Salver, CPA

Members Absent:

Mr. Juan del Busto
Mr. Albert D. Lopez, CPA

Non-Voting:

Mr. Ron 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:

Dr. Lawrence S. Feldman, School Board Member	Ms. Maria T. Gonzalez, CPA, Chief Auditor
Mr. Alberto M. Carvalho, Superintendent	Mr. Jon Goodman, CPA, Assistant Chief Auditor
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer	Mr. Richard Yanez, CPA, District Audit Director
Mr. Jaime G. Torrens, Chief of Staff	Ms. Elvira Sanchez, CPA, CFE, District Director
Ms. Daisy Gonzalez-Diego, Chief Communications Officer	Mr. Luis Baluja, CISA, Executive Director
Ms. Iraida R. Mendez-Cartaya, Associate Superintendent	Ms. Tamara Wain, CPA, Executive Director
Mr. Eugene P. Baker, Chief Information Officer	Ms. Michele Jones, Esq., Executive Director, CIU
Mr. Raul F. Perez, Chief Facilities Des. & Const. Officer	Mr. Wilmer Maradiaga, IT Auditor
Mr. Carl Nicoleau, Chief Maint. & Operations Officer	Mr. Michael Hernandez, Charter School Coordinator
Ms. Melody Thelwell, Chief Procurement Officer	Mr. Jerold Blumstein, Chief of Staff
Mr. Walter J. Harvey, School Board Attorney	Ms. Jackie Falls, Chief of Staff
Ms. Mindy McNichols, Assistant School Board Attorney	Ms. Francys Vallecillo, Chief of Staff
Ms. Joyce M. Castro, Assistant Superintendent	Ms. Andreina Espina, Administrative Assistant
Ms. Ana Rijo-Conde, Dep. Chief, Fac & Eco-Sust. Officer	Ms. Ana Lara, Administrative Assistant
Mr. Victor Alonso, Eco-Sustainability Officer	Ms. Vivian Lissabet, Administrative Assistant
Ms. Tiffanie Pauline, Assistant Superintendent	Mr. Anthony Bonamy, Administrative Assistant

Ms. Daisy Naya, Controller	Ms. Ingrid Feely, Administrative Assistant
Mr. Tony Vu, Treasurer	Ms. Addys Lopez, Administrative Assistant
Ms. Jennifer Andreu, Interim Econ. & Eq. Div. Comp.	Ms. India Wilson, Administrative Assistant
Ms. Cynthia Gracia, Administrative Director	Ms. Pavielle Phillips, Administrative Assistant
Ma. Meyme Falcone, Administrative Director	Ms. Mylena Vazquez, Administrative Assistant
Ms. Arlene Diaz, Executive Director	Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Michelle Denis, Fiscal Supervisor	Ms. Latisha Green, Administrative Assistant
Ms. Ailsa Simon, Director	Dr. Lisa Robertson, Alternate ABAC member
Ms. Arlene Rodriguez, Coordinator	Mr. Felix Jimenez, OIG, Deputy Inspector General
Mr. Brett Friedman, Partner, RSM US LLC	Ms. Patra Liu, Esq. OIG Counsel
Mr. Shawn Davis, Partner, S. Davis & Associates	Dr. William Stronge, Economist, S. Davis & Associates
Ms. Tanya Davis, Partner, S. Davis & Associates	Ms. Arleen Stanek, OIG Audit Supervisor
Ms. Annette Lewis, Manager, S. Davis & Associates	Ms. Sheila Resco, Clerical Assistant
Ms. Lindsey Lennon, Controller, Renaissance Charter, Inc.	Ms. Colleen Wright, Reporter, Miami Herald
Mr. Octavio Verdeja, CPA, Partner, Verdeja, De Armas, Trujillo, CPAs	Mr. William Benson, Auditor, Keys Gate Charter High
Mr. Noel R. Puig, Comptroller, Miami Arts, Inc.	Mr. Tommy Trujillo, CPA, Supervisor, Verdeja, De Armas, Trujillo, CPAs
Mr. Alfredo de la Rosa, Principal, Miami Arts, Inc	Ms. Jeanette Acevedo-Isenberg, Downtown Doral Charter
Mr. Richard Moreno, Board, Florida International Academy	Mr. Luis E. Diaz, Board Chair, True No. Classical Charter
Ms. Ana Martinez, CFO, Academica	Ms. Laine Perez, Dir. Of Int. Audits, Academica

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of March 12, 2019 (ACTION)

The ABAC Chair presented the minutes of the March 12, 2019, ABAC meeting. There being no questions posed regarding these minutes, a motion was made by ABAC member Mr. Rudy Rodriguez, and seconded by School Board member/ABAC member Ms. Mari Tere Rojas, for the approval of the minutes of the March 12, 2019, ABAC meeting. The motion carried unanimously.

3. Independent Auditor's Report-Performance Audit of Miami-Dade County Public Schools General Obligation Bond (GOB) Funded School Improvement Program for the Period from July 1, 2012 to June 30, 2018 (ACTION)

The Chief Auditor introduced the subject audit report issued by the external audit firm of S. Davis & Associates. According to Ms. Gonzalez, this performance audit of the GOB was a "much-awaited audit". She provided a chronology of this performance audit, the genesis of which was School Board Agenda Item H-3, proffered by School Board Member Ms. Mari Tere Rojas, and co-sponsored by School Board Member, Dr. Steve Gallon III, that was approved by the School Board at its meeting of November 15, 2017.

The chronology included all relevant dates of the project, from its Board approval in November 2017, to the ABAC sub-committee member meeting held in January 2018, to draft the deliverables and the subsequent approval of the audit deliverables by both the ABAC and later by the Board on February 2018; the issuance of the RFP in March 2018, and its review of the only respondent to the RFP (S. Davis and Associates) by the members of the ABAC sub-committee during meetings held in April and May 2018; the vendor selection later approved by the Board under a "good cause" agenda item during the Board meeting of May 2018; the signing of the contract in July 2018, and the audit entrance conference in August 2018.

The rest, as Ms. Gonzalez stated, was history known to the ABAC, which involved the periodic audit fieldwork updates made by the firm at subsequent ABAC meetings, including a presentation of their GOB Audit Plan; and the audit exit conference held during April 2019. This culminated with the issuance of their final audit report which covered all 16 contract deliverables discussed in the Audit Plan, and what is being presented at today’s meeting for the ABAC to discuss and take action on.

Next, Ms. Gonzalez introduced Ms. Tanya Davis, Engagement Partner, and Ms. Annette Lewis, Audit Manager, S. Davis & Associates, for their presentation to the ABAC of a very detailed PowerPoint presentation covering the report’s 16 audit deliverables, findings, observations, conclusions and recommendations.

Ms. Davis initiated the presentation with general information of the performance audit that covered an interim period of six fiscal years (from FY 2013 to FY 2018), background information of the general obligation bond approved by the voters, the audit project’s contract deliverables, which comprised 23 in total, of which 16 related to the audit that was being reported today, and 7 were administrative-related tasks. She pointed that the audit report, once drafted, was initially reviewed with the Superintendent and his Administration, which included the Office of School Facilities (OSF), OEO¹, and also included representation from the Internal Audit Department. She closed her presentation by pointing that the audit did not uncover any fraud or misappropriation, however disclosed some findings, observations and recommendations for improvement. She also stated that the recommendations had been implemented by the Administration and gave thanks to those in the Administration and in the Internal Audit Department that provided her team assistance to complete this assignment on time.

Ms. Annette Lewis continued with a very detailed and lengthy presentation to the ABAC of each individual task and its results from their 102-page report. According to her narrative of the PowerPoint Presentation regarding tasks 3.1 to 3.16:

PowerPoint Presentation Slides	
Task	Description of Task and <i>Results of Audit Tests and External Auditor’s Conclusions</i>
3.1	Property Values were increased— <i>on the average 7.5 percent increase.</i>
3.2	Determination if student attendance has increased/improved. <i>She noted that the information obtained from the District’s Federal and State Compliance Office and attendance has experienced a slight decrease of less than one percent.</i>
3.3	Determination whether the assumptions in the Washington Economic Group dated April 15, 2012, had been realized. <i>She went over the conclusions which the GOB is on track to being fulfilled and she deferred to Dr. Stronge, the economist used by her firm who was in attendance to answer any questions related to his analysis and conclusions; and she pointed to the short-term, long-term and standardized test scores.</i>
3.4	Reconciliation of the voter-approved referendum master project funding to the total budgeted allocation of funds. <i>She discussed the ranking of the projects from 1-5 and the results of 359 projects that were satisfactorily analyzed (166 completed within budget; 62 completed under budget and funds reprogrammed; 59 required budget adjustments; 11 changed due to capital budget plans; 2 were</i>

¹ The District’s Office of Economic Opportunity.

PowerPoint Presentation Slides	
Task	Description of Task and <i>Results of Audit Tests and External Auditor's Conclusions</i>
	<i>deferred; 17 were funded from bond premium and interest; 13 were later funded in part or in whole by non-GOB sources; and 29 were technology upgrades). She also noted that any adjustments to funding allocations were reviewed by the GOB Advisory Committee as required.</i>
3.5	<i>Analysis of Project phasing procedures--She said this was the most complex task because it really captures the whole process from beginning to end of the life cycle of a capital project. The results are that the District meets best practices for Construction and Facilities Maintenance Best Practices for Florida School Districts published by the Florida Office of Program Analysis & Government Accountability (OPPAGA).</i>
3.6	<i>Evaluation of cost and time variances. There were no cost variances; however, from a random sample of 40 projects from the GOB Dashboard, the finding here is that 11 of the 40 contain some dates that were out of sequence or did not appear to match the type of project defined. OSF provided revised information; The issue is that additional steps should be taken to verify the information being uploaded in the Dashboard and the basis for our recommendation. Management acknowledged and concurred with the finding and recommendation.</i>
3.7	<i>Analysis of roles and effectiveness of oversight committees. The report disclosed that the official body that was created to oversee the bond projects and related expenditures is the 21st Century Schools Bond Advisory Committee (GOB Advisory Committee), and the stated purpose of the GOB Advisory Committee is being accomplished and appears to be timely and consistent. The external auditor went over the make up of the policy and the GOB Advisory Committee. She also went over the two internal functioning groups that impact the GOB Program and each group's make up: the GOB Scope Budget Group and the Facilities and Construction Committee.</i>
3.8	<i>Evaluation of selection criteria for contractors and vendors/suppliers. According to the external auditors, the District follows OPPAGA's best practices regarding criteria for selecting and retaining appropriate professionals and for controlling project costs.</i>
3.9	<i>Evaluation of staffing levels of monitoring and administrative staff. The District commissioned WSP USA to provide implementation and roll out support of the GOB Program and the auditors observed that District staff responsible for overseeing WSP Placement do not have forms on which to report issues. Based on their observation, it was recommended that some level of formality be established for District staff to report issues/incidents occurring in the workplace by WSP placements. Management concurred with the observation and recommendation.</i>
3.10	<i>Identification of any bottlenecks that may have hindered the operation of the program. The external auditor observed that this task is closely related to task 3.5 or project phasing procedures, it is based on scope validation of projects over/under \$2 million, and how these projects are addressed; and found no discrepancies in this area.</i>
3.11	<i>Determination of improved or built student stations along with the number of student stations. The results disclosed that 6,861 new student stations were projected, and all were completed as of June 30, 2018. Also, a total of 248,799 improved student stations were projected, and as of June 30, 2018, 127,245 were complete and the remainder to be completed over the duration of the Bond Program.</i>
3.12	<i>Determination of fluctuations in level of local effort millage (property taxes). According to the results, the required local effort experienced an average decrease of 3 percent.</i>
3.13	<i>Verification of total amount paid from GOB funds for construction costs. Task 3.13 and 3.14 were combined and verified. The auditors found that although expenditures were properly recorded and reconciled, thus validating the financial integrity of the system, they identified that: 1) several of the routine forms and procedures reviewed were outdated; and 2) it was not clear how project expenditures related to Furniture Fixtures and Equipment (FF&E) and FF&E Logistics were organized and the process flow. During the audit, it was also observed that the GOB files were not clearly organized, and the</i>

PowerPoint Presentation Slides	
Task	Description of Task and <i>Results of Audit Tests and External Auditor's Conclusions</i>
	<i>organization of GOB files should be documented. OSF concurred with the findings and observation and corresponding recommendations.</i>
3.14	Verification of total amount paid from GOB funds to vendors/suppliers-refer to results on task 3.13. <i>Total expended for construction and vendors/suppliers was \$624,833,469. In the report there is a table of vendors and amounts paid.</i>
3.15	Verify if technology equity is being achieved. <i>According to the external auditors, Bond Program funds were used to provide the schools with wireless networks; installation of interactive white boards; and deployment of mobile devices. Their audit found that a total of 13,949 interactive white boards installed and all schools have site-wide wireless access. The external auditor concluded that technology equity was achieved based on stated objectives of the Digital Convergence Initiative and GOB stipulations.</i>
3.16	Determination of overall increase in program participation for SBE, MBE, and MWBE. <i>According to the report, this involved review of School Board Policy 6320.02, as amended during the audit period, and information provided by OEO. The report concluded that there was an improvement in overall participation in established categories from fiscal year 2013 to fiscal year 2018.</i>

According to the PowerPoint presentation, her firm’s assessment of internal control over the Bond Program did not identify any internal control deficiencies in internal controls that the external auditors deemed material; the report did not cite any findings related to project cost variances; and according to the results of their audit tests, expenditures were properly recorded and reconciled in the SAP accounting system. Also, in their report, they concluded that District staff had worked consistently and had implemented best practices in a number of key construction-related areas, including increased participation in the GOB Program by certified MBE, SBE and M/WBE entities over the six-year period reviewed. Regarding their economist’s verification of the assumptions in the *Economic Impact Study* (task 3.3), the GOB Issue was on track to deliver the projected short-term benefits. Regarding long-term benefits, the economist report noted that the time that elapsed since the inception of the GOB Program was insufficient to determine whether the long-term recurring effects are on track. Concerning test scores, the report stated that insufficient time had passed to determine expected improvements in test scores. The external auditor’s report disclosed three findings and two potential opportunities for improvement. According to the report findings: 1) some of the dates populated on the projects listed under the District’s Dashboard were out of sequence or did not appear to match the type of project that was defined (task 3.6); 2) several of the routine forms and procedures reviewed were outdated (tasks 3.13 and 3.14); and 3) it was not clear how project expenditures related to Furniture Fixtures and Equipment (FF&E) and FF&E Logistics were organized and the process flow (tasks 3.13 and 3.14). Potential opportunities for improvement included: 1) communicating performance issues or incidents of non-compliance in the workplace by the WSP² workforce to WSP in a more formal manner, such as through a standard form (task 3.9); and 2) implementing a more centralized way of keeping project records (tasks 3.13 and 3.14).

Upon the conclusion of Ms. Lewis’ PowerPoint presentation, Ms. Davis reiterated that Dr. William Stronge was available for any questions related to task 3.3.

² Firm contracted by the District to perform program management support (construction) services for the GOB Program.

ABAC member Mr. Salver asked if additional weight was given to local vendors. The Superintendent replied that additional weight is given to local vendor preference (Miami, Broward and Palm Beach Counties).

The Superintendent was very pleased with the results, agreed with the Chief Auditor's initial comments that this was a much-anticipated audit, and was particularly satisfied that the report reflected positively on the increased participation of African-American firms in the construction program. He recapitulated the tasks, enumerated and summarized the findings, which according to him were minor. He was very pleased to see the results, considering this audit covers over five years, encompassed \$624 million in expenditures, and demonstrated that the program is being run by the District in an efficient and effective manner, with fidelity to the principles of transparency, equity and accountability. He congratulated the external auditors, the firm's economist, the Administration for their outstanding work, and the ABAC Committee for their participation and input in this endeavor.

School Board Member/Audit Committee Member Ms. Mari Tere Rojas was extremely pleased with the results and the presentation. She thanked her colleagues on the School Board, particularly Dr. Gallon (who was her co-sponsor in the audit-related agenda), for supporting her in her decision to request this audit back in November 15, 2017. She also thanked the external audit firm for their work and the audit report that was delivered on time; the Administration for their untiring efforts to succeed with the GOB Program; the Chief Auditor for managing the project well; and issued a special and grateful "thank you" to the ABAC for their input and support regarding this project.

Ms. Rojas stated that her responsibilities as a policy maker of the School Board and her fiduciary duties to her constituency called for this audit. She recapitulated the audit findings and observations, and concluded that considering the depth and breadth of this audit, she was elated to see the outcome. She pointed all the positive strides that the audit results illustrated in the various areas of technology, construction and vendor participation, and concluded that this audit engagement represented "money extremely well spent". She closed by stating that she would be bringing a similar item to the Board requesting a similar-type audit at the conclusion of the GOB Program; and she was anticipating similar results at the end as in this mid-point audit.

ABAC Member Mr. Rudy Rodriguez was very complimentary of the audit and the GOB Program in general. ABAC Member Mr. Stephen Hunter-Johnson inquired about certain data reflected in the report that related to African American participation, specifically related to task 3.16, payments made listed on page 65, sub-contractor information, and line item vendor information listed on page 69 that read "reimbu" at the end of the row (not wide enough and the printed information was truncated). All questions were answered by the external auditor. It was also clarified the truncated word in question should read "reimbursements", and Mr. Hunter-Johnson was satisfied with the responses.

Next, ABAC Member Mr. Isaac Salver brought attention to pages 89, 90 and 91 of the report which presented some information that was duplicative (as the correct information was found on pages 89 and 91). As a corrective measure, it was agreed to delete the duplicative

information found on page 90, but leave page 90 in the report with the notation "PAGE INTENTIONALLY LEFT BLANK" to preserve the current report's pagination. The Chief Auditor agreed to coordinate the revision of the report with the external auditors and provide revised copies of the report³ to the stakeholders.

School Board Member Dr. Lawrence Feldman commented about the report and pointed to a number of questions that he made to the community regarding the audit report and its results that indicated no fraud, no mismanagement, not similar to the previous bond program in 1988; and that similarly, pointed to the noted enhancements made to the local labor force, to the equitable distribution of technology, and to the effectiveness of the program. He was very pleased with this report, and its results that pointed to the effective management of the GOB Program under the oversight of former Chief Facilities Officer Mr. Jaime Torrens.

From the Administration, Chief of Staff and former Chief Facilities Officer Mr. Jaime Torrens gave personal kudos to Ms. Ana Rijo-Conde, who spearheaded this project and who demonstrated an incredible organizational capacity, Mr. Raul Perez who spearheaded the actual construction portion, Mr. Carl Nicoleau, who handled a multitude of smaller projects that nevertheless take great effort to track and deliver, and Mr. Victor Alonso, who was very insightful in the design of projects. All four individuals should be recognized for their great work efforts, professional ethics and dedication toward the progress of the GOB Program.

School Board member/ABAC member Ms. Mari Tere Rojas agreed with Mr. Torrens' comments and added that "teamwork is what makes the dream work." According to her, her "thank you" goes beyond the district administration, but also involves the schools and principals and administrators housed throughout the district involved with the GOB project.

In closing, ABAC Member Mr. Jeffrey Codallo requested a round of applause to recognize all individuals mentioned during the discussion that made this program a success. Ms. Davis recognized the responsiveness of staff and the level of district staff's effectiveness and competence to assist them with this project.

ABAC Vice-Chair Mr. Christopher Norwood thanked the ABAC and the Internal Audit Department for their untiring efforts and input, and commented on the professionalism demonstrated by the firm that performed the external audit, and the excellent outcome of the GOB as portrayed in the audit that can be relied upon. Lastly, ABAC member Mr. Stephen Hunter-Johnson echoed the Committee's sentiment regarding the GOB report and agreed that although gains have been made; he stressed that the work of the OEO is very important and we must not lose sight of the goals ahead.

At the end of this lengthy discussion, a motion was made by ABAC member Mr. Isaac Salver, and seconded by ABAC member Mr. Stephen Hunter Johnson, which carried unanimously, to recommend that the **Independent Auditor's Report-Performance Audit of Miami-Dade**

³ As of the date of this transmittal letter, the report was revised as agreed and re-distributed, in hard copy to the School Board and to selected ABAC members that requested a hard copy. The revised report was also distributed electronically to those stakeholders who received an electronic copy in anticipation of the ABAC meeting.

County Public Schools General Obligation Bond (GOB) Funded School Improvement Program for the Period from July 1, 2012 to June 30, 2018, be received and filed by the School Board.

4. Presentation of the Educational Facilities Impact Fees Agency Funds of Miami-Dade County, Florida, Financial Report as of September 30, 2018 (ACTION)

The Chief Auditor introduced the subject audit report issued by RSM US LLP which corresponded to the basic financial statements of the Educational Facilities Impact Fees Agency Funds (the Agency Funds) of Miami-Dade County, Florida, as of September 30, 2018. The Chief Auditor explained that this audit is required in accordance with the Interlocal Agreement between the School Board of Miami-Dade County and the Board of County Commissioners of Miami-Dade County. The audited financial statements, along with the opinion letter from the external auditors engaged for these audits are to be provided to both the School Board and the County each year. In their report, the external auditors issued a clean opinion. No audit findings were issued.

The Chief Auditor added that, as of September 30, 2018, the carrying amounts of the Agency Funds' pooled cash and cash equivalents and investments with the County was approximately \$4.7 million. This balance represents an increase of 15 percent when compared to the prior year. She added that Mr. Brett Friedman from RSM and Mr. Tony Vu, Treasurer, were in attendance at the meeting in case of any questions.

The Committee was pleased with the results. School Board Member Dr. Lawrence Feldman had a question regarding the 2 percent administrative fee mentioned in one of the audit report's disclosure notes. Chief Financial Officer Mr. Steiger was not sure and said that he would provide an answer to Dr. Feldman.

Note: This question was answered by the Administration close to the conclusion of the meeting, after researching the applicable County Ordinance⁴. According to the Ordinance and the explanations provided, the administrative fee is shared between the District and the County, and part of the fee is to cover the cost of both audits.

There being no questions or comments, a motion was made by ABAC member Mr. Isaac Salver, and seconded by ABAC member Mr. Jeffrey Kaufman, which carried unanimously, to recommend that the **Educational Facilities Impact Fees Agency Funds of Miami-Dade County, Florida, Financial Report as of September 30, 2018**, be received and filed by the School Board.

⁴ According to School Board Attorney Mr. Walter Harvey, this fee is addressed in the 1995 Ordinance-Chapter 33K-*Educational Impact Fee Ordinance of the Code of Miami Dade County*. It authorizes the County to collect an administrative fee of up to 2 percent. It also requires an annual audit/review of the impact fees, which is paid with the administrative fee. Mr. Harvey stated that part of the fee is reimbursed to the District and requested clarification from Mr. Torrens. Mr. Torrens clarified that the two percent fee is equally shared between the County and the District at one percent each. Ms. Rojas requested that the information be forwarded to Dr. Feldman since he had stepped out of the meeting. Mr. Torrens agreed to email the information.

**5. Monthly Financial Report Unaudited – For the Period Ended March 2019
(INFORMATIONAL)**

The Chief Auditor briefly introduced the item and turned it over to Chief Financial Officer Mr. Ron Steiger. According to Mr. Steiger, this is the unaudited monthly financial report for the period ended March 2019.

ABAC member Mr. Jeffrey Kaufman had a question regarding the Food Service Fund, related to the Notes to the Monthly Financial Report on page 9. In the note, it states that the average daily student participation as a percentage of enrollment was 57 percent for lunch as compared to 59 percent for lunch participation in 2017-2018 and inquired as to the reason for the decrease.

The Controller, Ms. Daisy Naya stated that last year, the School Board received significant funding due to hurricane Irma during the time period that schools were closed and a time period thereafter. This year, this was not the case; hence the notable decrease in the federal reimbursement this year. Chief Financial Officer, Mr. Ron Steiger further clarified that last year, due to hurricane Irma, the District was reimbursed last year based on actual attendance, which has not happened before, and the amount of funding received last year was much higher. He clarified that for the most part, the reimbursement is based on actual meals served. Mr. Kaufman acknowledged the response and did not pose any other questions.

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

**6. Presentation of the Financial Statements of The Foundation for New Education Initiatives, Inc. for the Year Ended June 30, 2018
(ACTION)**

The Chief Auditor introduced the subject financial statement audit and stated that the financial statements of the Foundation for New Education Initiatives for the year ended June 30, 2018, were audited by the external audit firm of Verdeja, De Armas & Trujillo, Certified Public Accountants and Advisors. She also stated that the Foundation is a not-for-profit corporation organized and operated as a Miami-Dade County School Board's Direct-Support Organization. The Foundation's annual audit is required by State Board of Education Rule 6A-1.0013 and pursuant to Florida Statute 1001.453(4).

In her brief presentation, Ms. Gonzalez indicated that the external auditors issued a clean opinion, which is the highest opinion that can be provided for a financial audit, and no audit findings were issued. Regarding financial information, she noted that total net assets at year-end were approximately \$2.52 million, which represents an increase from the prior year of approximately \$773,000, or close to 45 percent. She turned the presentation over to the external audit firm representatives responsible for this audit report.

According to Mr. Octavio Verdeja, Managing Partner of the external audit firm of Verdeja, De Armas and Trujillo, the financial statements were fairly stated, and the report contained a “clean” opinion. He added that the organization was in a very strong financial position and the cash reserves are excellent. He provided basic financial information such as total revenues at June 30, 2018, of approximately \$5.95 million, total expenditures for program services of approximately \$4.82 million, or 93 percent of total expenditures; and expenditures for supporting services of approximately \$349,400, or close to 7 percent of total expenditures.

School Board member/ABAC member Ms. Mari Tere Rojas congratulated the external auditor for his report; however, inquired about the testing of internal controls, and the standard language in the report to address internal controls. Mr. Verdeja replied that nothing came to his attention to indicate that controls were not effective.

Ms. Rojas then pointed to page 10 of the report where it is disclosed that a pass-through grant from the Children’s Trust to the Foundation for the *Together for Children Program* is under review. According to the note, “the Foundation, the County and the Trust are reviewing the terms of the grant to determine whether all the requirements were met. Should the Trust disallow certain costs or determine that certain terms were not met, the Foundation may need to reimburse the Trust or adjust their future budgets. As of the date of this financial statements, no conclusion has been reached.” She inquired about the status of this review and a timeline for this determination.

Mr. Verdeja replied that the review had concluded, and the matter had been resolved when the contract terms were amended to reflect language that was necessary, and that the auditors felt needed to be there. He indicated that the Administration could provide that additional information. Ms. Rojas requested a revision to reflect resolution of this matter and the details. The Chief Auditor agreed to request and obtain that information from the Administration to provide to the ABAC additional detail of this resolution as follow-up⁵ (since this audit report was issued as final).

Dr. Feldman closed this presentation by stating that he had some questions regarding this organization’s activities; however, would follow up with appropriate Administration privately.

There being no additional questions or comments, a motion was made by ABAC member Mr. Jeffrey Codallo, and seconded by ABAC member Mr. Jeffrey Kaufman, which carried by majority vote⁶, to recommend that the **Presentation of the Financial Statements of The Foundation for New Education Initiatives, Inc. for the Year Ended June 30, 2018**, be received and filed by the School Board.

⁵ The Chief Auditor provided a follow-up update of this contract review to the ABAC on separate correspondence dated June 11, 2019.

⁶ ABAC member Dr. Nancy Lawther recused herself from the vote, since she is also the Foundation’s Treasurer.

7. Internal Audit Report – Selected Schools/Centers (ACTION)

The Chief Auditor introduced the subject report. According to the Chief Auditor, this audit report compiled the audit results of 60 schools/centers reporting to various region offices, including the results of their property inventories. She noted that the audit period was one fiscal year ended June 30, 2018, and there was a change of Principal at two schools/centers.

Ms. Gonzalez stated that audit results proved compliant at 57 of the 60 schools/centers reported herein, and property inventory results were satisfactory for all schools/centers. However, at three of the schools/centers, depending on the individual school audited, as illustrated on the table on page 1 of the report, the audit disclosed non-compliance with bookkeeping practices, with the disbursing and receipting of funds, with the managing of student activities including the handling of fundraisers of the school-allied organization, and/or with Full-Time Equivalent (FTE) records.

School Board member/ABAC member Ms. Mari Tere Rojas congratulated the 57 schools with compliant audits; however, was concerned regarding repeat findings that continued to surface at one of the three schools/centers, and the specific corrective action plan reflected in the response which she questioned. Ms. Rojas requested clarification on the meaning of “dormant accounts” since the findings cited at one of these schools noted this condition. Ms. Elvira Sanchez, District Director, School Audits, replied that dormant accounts are those accounts within the internal funds of the school that have not experienced any financial activity for the past two fiscal years. Once a dormant account is identified, it should be monitored to determine how funds can best be used, if there are no restrictions for their use.

Ms. Rojas was concerned with these repeat findings, and especially since the responses from management appear to be very similar as the responses previously provided. She said that consideration should be given to reconsidering these responses since the issues are not corrected.

Deputy Superintendent and Chief Operating Officer Ms. Valtena Brown agreed that repetitive findings were concerning and stated that the North Region Office is currently providing significant support to that school, and a number of initiatives under the direction of the North Region Office are being implemented with the intent to assist the school in correcting the issues. At this particular school, there have been multiple principals and multiple treasurers and Ms. Brown stated that they have provided substantial support. A part-time treasurer and mentor principal and assistant principal have been assigned to assist the school. Ms. Brown also indicated that given the bookkeeping issues at the school, she has directed the school to close the district-wide HOSA⁷ account. At present, her office is

⁷ This school has been the fiscal repository for the Health Occupational Student of America (HOSA) district-wide program. Participating Senior High Schools forward funds to the school to cover dues, registration fees, the cost of club shirts, breakfast and award ceremonies that occur in the Fall and Spring. These funds are deposited in the District's HOSA account which is one of the accounts under the Internal Funds-Trust Program of the school. The District's Department of Career and Technical Education provides curriculum support for this program and has designated a Health Science Instructional Supervisor to oversee the activity district-wide. This school has been cited for bookkeeping issues related to this account on previous audits.

working with the District's Department of Career and Technical Education to see how they can re-structure the HOSA account expenditures and have each school manage their own activities. She said that this audit concerns her greatly and "all hands are on deck" including administration from the North Region Office.

Ms. Rojas stated that she was glad to hear that the region was involved with these issues and wanted an update on the strategies currently in place. At Ms. Rojas' request, Ms. Brown detailed the ongoing initiatives and strategies and the principals and part-time treasurers involved. Ms. Rojas thanked her for this explanation but stressed that schools with these types of repetitive patterns of findings need additional monitoring and support.

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

8. Presentation for 21 of 130 Charter Schools' Audited Financial Statements FYE June 30, 2018, and one Charter School Closing (ACTION)

The Chief Auditor introduced the subject report by stating that these represent the 2017-2018 certified financial statements of this last group of charter schools for FYE June 30, 2018.

Regarding charter schools, the Chief Auditor stated that this was the last group of charter schools to be presented to the ABAC this year. These are the certified financial statements of 21 charter schools for the fiscal year ended June 30, 2018. She noted that not included in this group is Florida International Academy, a charter school that closed at the end of FY 2017-2018 and the certified financial statements have not been submitted to the District. She stated that according to the school representatives, they are trying to obtain funds to hire an external auditor to perform the audit.

Of the 21 charter schools in this group, 14 did not disclose any financial issues. Regarding the remaining seven charter schools, although not meeting the condition of a financial emergency or a deteriorating financial condition, six experienced a deficit net position and/or deficit fund balance. In addition, three of these six charter schools received a management letter finding regarding: 1) documentation not presented to the external auditors as well as the matter of the deficit fund balance; 2) issues with the documentation and authorization of certain journal entries that have not been fully corrected as of this audit; or 3) the fact that the school reported a deficit net position. The remaining school did not disclose issues with the financial statements; however, the external auditor included a management letter finding because of missing and unsigned cash collection forms in the deposit process, and these forms not always reconciling to the bank deposit receipt.

Mr. Jon Goodman, Assistant Chief Auditor, summarized the notable issues related to each of the seven charter schools from this last group, and at Florida International Academy Charter.

Keys Gate Charter High School (a Charter Schools USA-managed school)--Mr. Goodman stated that the net position declined significantly by \$1.2 million to a deficit of \$(4.6) million as of June 30, 2018. In addition, their enrollment declined to 912 students when the facility's capacity is 1,200. He also stated that the management company had waived charging the management fee and the incremental rent, and also contributed \$518,000 to the school.

Mr. Goodman noted that this Committee has discussed issues related to this charter school in the past and these same financial issues continue to be monitored.

ABAC member Mr. Julio Miranda stated that he was concerned at the school's financial issues which are recurrent/remain unchanged. He reminded the Committee that when he worked in OMCA, he had performed an audit of this charter school and some of the same issues discussed in that audit were reflected in this report. He particularly questioned the \$59,000 ground lease between the school and Red Apple, and its propriety continues to be questioned by him. There was subsequent discussion regarding the ground (capital) lease payment to the City of Homestead that the school would have made on behalf of Red Apple (the facilities division of the management company).

Addressing Mr. Goodman's initial comments, the school's representative, Mr. Bill Benson acknowledged the decrease in the net position, which he justified to roof and related losses from hurricane damage sustained by the building and to accumulated depreciation. He shared with the Committee that the management company is committed to assist the school increase their enrollment and is hopeful that enrollment will increase once the school becomes an A-rated school.

Regarding the matter of the ground lease introduced by Mr. Miranda, Mr. Goodman agreed with Mr. Miranda that OMCA had conducted an audit of this charter school and its management company about four years ago and one of the findings was that the school was paying for the ground lease on behalf of the management company. At the time, the management company agreed to reimburse the school for payments made during a three-year period. Mr. Miranda had a copy of the 2015 audit report and he shared some of the findings with the ABAC.

ABAC member Mr. Rudy Rodriguez provided a lengthy explanation of the operation of management companies of charter schools.

ABAC member Dr. Lawther inquired as to the current enrollment and what is the targeted enrollment. Mr. Benson clarified that the current enrollment is 912 and targeted enrollment is 1,200.

ABAC Vice Chair Mr. Norwood thanked Mr. Goodman for bringing these fiscal/management issues to the ABAC's attention. He inquired what would happen next year if the school failed

to increase their enrollment. Mr. Goodman replied that there could be additional losses. Upon Mr. Norwood's inquiry for an approximate loss, Mr. Goodman approximated that the losses may add up to \$1 million or more.

Mr. Benson disclosed that the school has an approved claim with FEMA of approximately \$700,000 which they hope to collect before the closing of the year, and these funds could assist with the school's current financial position.

Upon a question from ABAC Chair Mr. Erick Wendelken and other ABAC members regarding the matter of the accumulated depreciation, Mr. Benson stated that once depreciation is added back, it would offset all losses for all years. However, specific to Mr. Benson's statement that the accumulated depreciation, if removed from the financials, would eliminate the losses related to net position, Mr. Goodman firmly stated that he disagreed with Mr. Benson's analysis, and acknowledged that although the yearly depreciation expenses would negatively impact the school's net position, it would not be the only variable contributing to the losses.

The forgiveness of the incremental rent payment (that the management company waived this year) was also discussed since some ABAC members agreed that this was just additional rent charged to the school. Mr. Goodman stated that it was an issue of concern similarly noted in the past audit report.

Several ABAC members had questions and there was significant discussion on the financial issues of the school involving the ground lease, the rental fee and the incremental rent. In conclusion, the ABAC agreed to continue monitoring this school closely since it is not in a position of financial emergency or a deteriorating financial condition.

There were a number of questions that the Chief Auditor was required to follow up including the matter of the ground lease payment, payment of certain salary payables reported on page 8 of the financial statements and whether cash was available to pay for the salary payables⁸.

Renaissance Middle Charter School (a Charter Schools USA-managed school)--Similar concerns as those in Keys Gate High School Charter were expressed. The net position declined by \$538,000 to a deficit of \$(62,284) as of June 30, 2018, and the management fee paid by the school for the year was \$422,000.

Mr. Goodman stated that according to note 10 on page 23 of the report, the management company receives all revenues in excess of expenditures; and he continues to have concerns regarding this arrangement in terms of the independence of a non-profit organization from its management company.

⁸ The Chief Auditor provided to the ABAC a follow-up update of the matter of the ground lease payment and other financial information of Keys Gate Charter High school. This follow-up update was provided on separate email correspondence dated June 11, 2019.

Mr. Benson stated that this is the first time that the management company charged a fee since 2010 and the management company's intent is to assist the school in becoming successful.

Beacon College Prep Charter School--The school's net position and fund balance improved from the previous year by \$33,727 and \$82,006, respectively. The school had received a management letter finding from the external auditors for having a deficit fund balance of \$(111,577). Also, the school received a management letter finding related to new lease agreements not presented to the external auditors. However, these documents were provided to OMCA upon our request and no significant issues were noted.

Downtown Doral Charter Elementary School--Its net position declined by \$326,000 to a deficit of \$(3.4) million as of June 30, 2018; however, its fund balance increased by \$3.2 million to a positive of \$8.4 million as of June 30, 2018. The school is expanding its facility and issued \$6.3 million in debt in FY 2018, which contributed to the disparity between net position and fund balance.

Miami Arts, Inc. Charter School--The school's net position improved by \$335,063 to a deficit net position of \$(2,002,456) as of June 30, 2018. Also, the external auditors' management letter indicates a prior year finding that the documentation of journal entries and their authorization had improved but was not fully corrected.

Mr. Alfred de la Rosa, the representative of the charter school, provided explanations to the ABAC as to what happened, stated that policies have been strengthened, and acknowledged that this matter has been corrected. The ABAC was satisfied with the explanations and no questions were posed.

As to a general question posed by School Board member/ABAC member Ms. Mari Tere Rojas regarding the management letter provided in the audit report, Mr. Goodman replied that for every school, the external auditor is required statutorily to provide a management letter when disclosing/highlighting findings in internal controls and similar issues that need improvement.

True North Classical Academy Charter School--The school's net position improved by \$71,650 to a deficit net position of \$(418,991) as of June 30, 2018. However, the external auditors' management letter cited the school for the \$(418,991) net position deficit.

ABAC Member Dr. Nancy Lawther pointed out that this school may have appeared before the Board of County Commissioners for a change of site and an enrollment expansion and inquired whether these might affect the financial prospects for coming years.

According to Mr. Richard Moreno, the representative of the school, he agreed there was an approved enrollment expansion of its Sunset campus to increase their current capacity. He added that academically, this is one of the highest performing schools in the County, their waiting list is over 800 students, and the financial deficit was caused by its first year of

operations and startup costs. Otherwise, he added that the school is operating phenomenally.

Doral Academy--The external auditor's management letter contained one finding regarding their activity funds and specifically, missing and unsigned cash collection forms in the deposit process, and these forms not always reconciling to the bank deposit receipt. According to management, the matter was corrected, and the school was enforcing adherence to established internal control policies and procedures.

The school representative, Ms. Ana Martinez, Chief Financial Officer, Academica expressed that this was a brand new Treasurer, and the Treasurer as well as the Principal have received training. In addition, the Director of Internal Audit has conducted several reviews and has provided recommendations for improvement; therefore, she is confident that the matter has been corrected.

Florida International Academy--The school had closed at the end of 2017-2018 fiscal year and their closeout audit had not been received yet. This is a statutory challenge since the District may or may not receive their audit because of lack of funds. It was understood that the school was in the process of contracting an audit firm.

Assistant Superintendent Ms. Tiffanie Pauline agreed with Mr. Goodman that obtaining financial audits when a school is about to close due to financial reasons is difficult and a statutory challenge. At present, regarding schools in peril of closing, her office has modified procedures to monitor the school financials closely, is withholding some funds to ensure that an audit will be conducted and is in contact with the DOE to discuss whether some language addressing this issue can be incorporated to the standard contract to protect taxpayers across the state.

The matter of ASPIRA charter schools was brought up for discussion by ABAC Chair Mr. Wendelken. These are the three charter schools that are closing at the end of this year and that were previously discussed at the ABAC. According to Ms. Pauline, new procedures have been implemented to ensure funds will be available for a closeout audit.

There being no more 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 to recommend that the **Presentation for 21 of 130 Charter Schools' Audited Financial Statements for the Fiscal Year Ended June 30, 2018**, be received and filed by the School Board.

9. OMCA Proposed Audit Plan 2019-2020 and Related Information **(INFORMATIONAL)**

The Chief Auditor stated that the proposed Audit Plan for fiscal year 2019-2020 had been developed by staff from the Office of Management and Compliance Audits (OMCA). The Plan considered financial impact; time since last audit engagement; audit coverage by other auditing entities; and concerns of the School Board, Audit and Budget Advisory Committee

(ABAC) and Superintendent/Administration. The Plan addresses new requirements in Section 1001.42, Florida Statutes, which requires a comprehensive risk assessment of all areas of the school system every five years. Directly related to new requirements established by School Board approval, the plan addresses action items in Agenda Item H-13, approved at the School Board meeting of April 17, 2019, requiring the Chief Auditor to develop both a short-range and long-range plan for increasing the frequency of auditing of the Office of Procurement Management, as well as District Offices whose transactions exceed \$50 million dollars annually, not less than every three years.

The Chief Auditor went over the Plan in detail, explaining the different sections and the proposed audit projects. She said that the plan is very comprehensive and ambitious; and addresses the request for including audits of significant departments/units of the District. Going over the plan, she brought the Committee's attention to page 2 of the document, where an audit of Food and Nutrition as well as an audit of payroll are listed. She explained that these two projects should address the recommendation in Dr. Gallon's H-13 agenda item. Similarly, pages 3-5 of the report illustrate the long-range audit projects, which include a review of impact fees, an audit of certain construction elements, contract administration and compliance, and a review of the District's P-Card activity, among others. Ms. Gonzalez continued with her description of the Plan, starting on page 1 with the school and property audit coverage, followed by the audit of the District's dining concession, and going over several District and Informational Technology audits planned for this year.

Regarding the proposed long-range audit of the impact fee process, Mr. Goodman stated that similar to other municipalities or entities, this audit performed by our office could provide the District an opportunity for increased revenue through impact fees that may not have been collected, and that may be identified through the performance of this audit. He added that a number of years ago, the Administration suggested this audit that we are trying to include in this coming year's long-range plan.

Continuing with the Plan, the Chief Auditor briefly discussed the rest of the long-range projects, proceeded to go over the forensic audit section, and the work of the Civilian Investigative Unit. At this time, the Chief Auditor took this opportunity to introduce Ms. Michele Jones, who was recently appointed as Executive Director of CIU at the School Board Meeting of April 17, 2019. Ms. Jones, who is an attorney, provided a summary of her background and experience that included working at the School Board Attorney's Office as an Assistant School Board Attorney and previously as a prosecutor for the State Attorney's Office.

The Chief Auditor returned to the audit plan, moving on to the area of charter schools, going over the office's projects delineated in the plan and pointing to an audit project in cybersecurity that is currently being considered and that would satisfy School Board Member Ms. Mari Tere Rojas agenda item H-9 that was proffered back in July 2018. She said that she would provide more details of this project at a later date.

Lastly, the Chief Auditor went over the staffing schedule illustrated on page 10 of the plan. She closed by stating that although the primary responsibility for the audit plan rests with the Chief Auditor and the OMCA, she welcomed and encouraged input from the stakeholders; and any changes or additions to the audit plan would be incorporated into its final version and brought to the July 2019, ABAC meeting for the Committee's consideration and recommendation to transmit to the School Board for approval.

Ms. Rojas commended the work of this office; however, wanted to pose specific questions regarding the Civilian Investigative Unit. Specifically, she inquired as to the number of open cases currently at CIU and Ms. Jones replied that there were 103 open and active cases. Ms. Rojas further inquired as to the number of staff members working in CIU. At present, there are two investigators, an additional investigator that was recently hired and that should be coming on board soon, and one administrative assistant.

Ms. Rojas pointed out that she had opened that division years ago with a total of eight investigators and inquired if the current level of investigators was enough to handle all 103 cases within established timelines. The Chief Auditor replied that the number of current staff members was not enough. However, earlier today, she had been informed by the Chief of Staff that her request for funding two additional CIU Investigator positions⁹ that was pending since the February 5th ABAC meeting had been approved, and these additions to CIU's investigative staff should assist with the closing of the open cases. Ms. Rojas was pleased with the propitious news related to CIU and requested an action plan from CIU regarding the work for the coming year. The Chief Auditor stated that a plan would be forthcoming.

Ms. Rojas inquired about ongoing and required training for CIU. Ms. Jones replied that about two weeks ago, the CIU and selected personnel from OMCA, along with GIU Police Investigators and OPS personnel, had attended specialized investigative training sessions on April 30, May 1, and May 2. These training sessions were provided by Miami-Dade Police and were coordinated through Chief Edwin Lopez and the Miami-Dade Schools Police Department. The training was free of charge and it dealt with very appropriate topics including cybercrimes. She added that she had an ear and eyes on additional training opportunities between now and the coming fiscal year.

Ms. Rojas closed by congratulating Ms. Jones in her new position, and recognizing the former CIU Executive Director, Mr. Luis Baluja for his efforts while employed in that office.

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.

⁹ As of this date, CIU is conducting interviews for the two CIU open positions with the intent of hiring by the end of July 2019.

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

The Chief Auditor stated that the Activity Report disclosed the audit projects and staffing needs; and much of the staffing information had already been discussed at the request of Ms. Rojas. The Chief Auditor concluded that she was satisfied with the staffing developments related to CIU and was looking forward to collaborating with the new Executive Director of that Division.

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.

**11. Office of Inspector General -- Final Report of Investigation – D. Stephenson's Construction, Inc. Substitution of Electrical Subcontractors on Selected GOB-funded Projects; GOBIG-0015
(INFORMATIONAL)**

The Chief Auditor introduced the subject report. This report is being presented to the ABAC as required by Board Policy 6835 *Audit and Budget Advisory Committee*, for discussion and informational purposes.

Ms. Arleen Stanek, IG Audit Supervisor, went over the details of the report and its recommendations, which were a follow-up to a prior IG report in 2017. This follow-up involved a closer look at the substitution of electrical subcontractors on selected GOB-funded projects and supporting documentation. According to this report, D. Stephenson was not compliant with established M-DCPS procedures and contract requirements pertaining to the substitution of electrical subcontractors. Furthermore, one of the electrical subcontractors, State Building Contractors, was not a State of Florida licensed electrical contractor at the time D. Stephenson hired the firm to replace another firm that was duly licensed. The review was conducted on four separate projects related to Miami Southridge Senior, Oak Grove Elementary, South Miami Heights Elementary, and Miami Southridge I-Prep Lab.

The draft report was provided to the Administration and to D. Stephenson for responses. D. Stephenson provided additional documentation regarding the subcontractor's purported licensure; however, the documentation provided did not change the IG's original conclusions. According to Ms. Stanek, as for the Administration's response, they stated that there were no safety issues with the electrical work performed by the subcontractor, and the electrical work received their final inspection; however, she indicated that the corrective actions do not alleviate the fact that the subcontractor in question was not a licensed electrical contractor at the time of these projects.

Ms. Stanek stated that both the IG and the Administration have worked together to address these issues and acknowledged in this report the improvements made by the District. This report highlights why the substitution process needed to be revised and improved. According to the Administration, they would be taking appropriate sanctions towards D. Stephenson's

Construction and the IG requested that this information be provided to their office by June 6th. This report elicited some questions from ABAC members; and questions were clarified by the IG.

Chief of Staff Mr. Jaime Torrens clarified that the original referral on this item to the IG was initiated by the Office of Economic Opportunity (OEO) when certain irregularities were discovered by OEO; therefore, OEO has certain procedures in place to catch these issues. The three firms involved in this scheme were debarred, and their certificates were suspended so they cannot conduct business with the District for three years. Therefore, the action taken was immediate and severe. Another issue was the utilization goals and percentages. As soon as that action was taken, amounts were appropriately deducted from the participation goals for S/MBE from the database to prevent any misrepresentation. Additional checks and balances in place include every time that inspectors go to the job site, they verify licensed contractors (i.e., mechanical, electrical, plumbing) to ensure that the license holder is the one under contract performing the work. In addition, approvals must be routed through both OEO and Office of School Facilities (OSF) before any substitution can be pursued. Mr. Torrens thanked the IG for their work but wanted to ensure the ABAC that proper controls at the OEO and OSF are in place.

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.

12. OLD BUSINESS: ENHANCEMENTS TO THE AUTOMATED PROCUREMENT FUNCTION PROPOSED BY ABAC MEMBER MR. RUDY RODRIGUEZ (INFORMATIONAL)

At a prior ABAC meeting, ABAC Member Mr. Rudy Rodriguez brought forth the topic of the benefits of automating certain procurement functions. To follow up on this issue, CFO Mr. Ron Steiger set up a meeting with management from Procurement, Information Technology Services (ITS) and Mr. Rodriguez to explore Mr. Rodriguez's proposal for enhancing procurement processes using certain SAP functionalities. According to Mr. Rodriguez, his idea was to use SAP functionalities to implement online competitive bidding for streamlining the procurement of certain items district-wide and he described the steps as follows: 1) through SAP, receive and consolidate individual procurement requisitions placed at school sites and district locations following a requisition category (i.e., widgets); 2) set up (automatically) a master consolidated purchase requisition by item category (i.e., supplies, widgets); 3) send this file to all vendors that can supply that item category from the District's vendor file; 4) vendors will be required to provide a response within a defined number of days (as determined by Procurement Management Services); 5) the process will allow vendors to bid and compete among themselves, not only automatically but in a transparent way; 6) once the process is closed, the computer will select the best price; 7) the order is processed and goes out automatically to the selected vendor; and 8) the items are successfully delivered to each site based on competitive pricing.

The Chief Procurement Officer Ms. Melody Thelwell stated that the District currently has other processes to procure supplies; however, this process is not one of them but looks promising and they are further reviewing it. She thanked Mr. Rodriguez for this proposal. At the request of School Board Member/ABAC Member Ms. Mari Tere Rojas for a timeline on this project, Ms. Thelwell said that she would have to discuss with ITS since they did not address a timeline at the time that they were discussing this proposal; however, she may be able to bring an update to the ABAC on the proposed automation of Procurement by the next ABAC meeting of July 2019.

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 4:31 p.m.

MTG/

Attachment: Dr. Nancy Lawther's Recusal Form