

MEMORANDUM

MTG/2019-2020/M004

July 5, 2019

TO: The Honorable Chair and Members of The School Board of Miami-Dade County, Florida

Members of The School Board Audit and Budget Advisory Committee

Mr. Alberto M. Carvalho, Superintendent of Schools

FROM: Maria T. Gonzalez, Chief Auditor
Office of Management and Compliance Audits

SUBJECT: SELECTED SCHOOL BOARD AGENDA ITEMS APPROVED BY THE SCHOOL BOARD OF SIGNIFICANT IMPACT TO THE 2019-2020 ANNUAL PLAN OF THE OFFICE OF MANAGEMENT AND COMPLIANCE AUDITS

This communication is to inform the Audit and Budget Advisory Committee of three School Board agenda items approved by the School Board that will have a direct impact on the Annual Audit Plan of the Office of Management and Compliance Audits for this coming year. Our Annual Audit Plan addresses and incorporates the related Board items that are specific or that involve the work of our office. They are as follows:

- School Board Agenda Item H-13, *Procurement (approved by the School Board on April 17, 2019, and proffered by School Board member Dr. Steve Gallon III)*. Although the item presents four action plan points, I bring to the Committee's attention **action item no. 3**, which requires "the Chief Auditor to develop both a short and long range plan, inclusive of resources needed, 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 2019-2020 Annual Plan presented to you for discussion takes into account this requirement by including two large audit projects scheduled for the coming year and short-range (planned audits) and long-range plan audits (as noted on pages 2-3 of report).*
- School Board Agenda Item H-10 Revised *Accounting, Reporting, Auditing, and Transparency of General Obligation Bond Expenditures (approved by the School Board on November 15, 2017¹, and proffered by School Board member Dr. Steve Gallon III)*. Although the item presents six action plan points, I bring to the Committee's attention **action item no. 5**, which requires the Superintendent to

¹ On this same Board meeting, School Board Agenda Item H-3, *Request Authorization for the School Board go Approve the process for the Development of an Independent Audit/Review of the General Obligation Bond (GOB) Funded School Improvement Program* proffered by School Board Member Ms. Mari Tere Rojas, and co-sponsored by School Board Member, was the genesis of the performance audit of the GOB Funded School Improvement Bond Program from fiscal year 2012-2013 through fiscal year 2017-2018 (midpoint GOB audit/review)

“continue to work with the Chief Auditor to ensure and facilitate the conducting of an audit of GOB expenditures to date by each cost category and related projects, **and subsequent annual audits through the expenditure of all remaining GOB funds** [emphasis added].” *Subsequent to the completion of the midpoint GOB external audit, for 2019-2020, as follow-up to that external audit and in alignment with the subject action item, we have included an annual audit of the GOB, the objective of which is to verify GOB expenditures annually by cost category and related projects. This annual audit will encompass yearly periods starting July 1, 2018, to the last year of the GOB program (on bottom of page 2).*

- School Board Agenda Item H-9 Revised, *Cyber Security in Miami-Dade County Public Schools (approved by the School Board on July 25, 2018, and proffered by School Board member/ABAC member Ms. Mari Tere Rojas)*. The topic of cyber security was brought forth and the Board directed the Superintendent to review current practices, procedures and realistic recommendations to enhance cyber security in the District. *In response to this concern, my office has contacted the District’s external audit firm of RSM US LLP to contract their services for certain cyber security testing of the District which is an audit engagement separate from the regular financial statement audit engagement (towards bottom of page 3). Pursuant to Chapter 282 – Communications and Data Processing, Florida Statutes, this review, its methodology, and resulting findings and recommendations are exempt from public disclosure. At present, we have available funding to pay for this additional audit service, which has an approximate cost of \$30,000².*

Please, do not hesitate to contact my office via telephone at (305) 995-1436 or via email at mtgonzalez@dadeschols.net should you have any questions or for additional information.

mtg:
Attachments

² Funds intended to pay for the Single Audit (customarily performed by the external audit firm responsible for the District’s financial statement audit) are being re-directed to pay for this additional audit service. This year, the District’s Single Audit is not being performed by the external audit firm of RSM US LLP, but by the State of Florida Auditor General (AG) free-of-charge, in accordance with the AG’s audit schedule of performing this federal audit every three years.

Dr. Steve Gallon III, Board Member

Co-Sponsors: Ms. Susie Castillo, Board Member
 Ms. Maria Teresa Rojas, Board Member } Added

**SUBJECT: ACCOUNTING, REPORTING, AUDITING AND TRANSPARENCY OF
GENERAL OBLIGATION BOND EXPENDITURES**

COMMITTEE: FACILITIES AND CONSTRUCTION

**LINK TO STRATEGIC
BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

On November 6, 2012, nearly 70% of voters in Miami-Dade County supported a measure on the ballot to invest in their local public schools by approving the issuance of a \$1.2 billion General Obligation Bond (GOB) for the Miami-Dade County Public Schools (M-DCPS). This investment was explicitly earmarked for renovating facilities, updating technology, building school replacements, expanding student capacity, and enhancing facility safety. The last such measure to invest in facility enhancements of M-DCPS' public schools was approved over two decades prior in 1988.

In addition to providing the long-term capital needed by the District which was to be repaid over time, the GOB promised to *"create 9,200 jobs during the first three years of the bond and more than 18,000 sustainable jobs during the course of construction."* Thus, employment and economic development opportunities were proffered not simply as tangential benefits of the GOB, but as one of the fulcrums for soliciting and gaining community support, and subsequent voter approval. This premise of employment and economic development was further confirmed by M-DCPS' retention of the Washington Economics Group (WEG) to provide an independent and professional analysis estimating the economic impacts and economic development benefits that could be generated by the General Obligation Bond (GOB).

Since the implementation of the GOB program, M-DCPS has successfully launched an ambitious program of technology upgrades and enhancements, facility renovations and repairs, and new school construction. The scope of the work associated with the GOB has been reported to be timely, at or below budget, and at a standard of high design and construction quality that the District and community should be proud. However, the promises and commitments of the GOB were not circumscribed to the delivery of technology, facility enhancements, and new school construction. They also included promises and commitments to principles and practices of accountability and transparency in areas that included but were not limited to inclusion, contracting, procurement, and financial expenditures.

To date, GOB expenditures and contracted work in M-DCPS has exceeded \$500 million with more than 148 projects completed and of which \$85 million having been spent on technology purchases alone. An additional \$86 million is presently under contract and, according to the presentation made at the School Board General Obligation Bond Workshop held on October 25, 2017, there are approximately \$665 million additional dollars to be expended on subsequent GOB projects.

Despite such expenditures and additional contractual commitments made, there has not been a comprehensive annual audit of expenditures and policy compliance provisions for the GOB.

At the October 10, 2017 Meeting of the Audit and Budget Advisory Committee Meeting, it was determined that an annual audit of the GOB would be recommended to the Board. The conducting of an Annual Independent Financial Audit of the GOB would serve to provide a review and accounting of expenditures related to the GOB as well as support best practices that included but are not limited to the following:

- Ensuring compliance with legal requirements, best practices and internal controls;
- Conducting a periodic review of internal controls;
- Facilitating ongoing monitoring of the effectiveness of internal control;
- Providing for effective provision of information and communication to the public; and
- Reviewing the maintenance of records, including but not limited to material documents relating to capital expenditures financed, construction contracts, invoices, payment records, assets or portion of assets financed, etc.

Lastly, the implementation of an improved process for accounting, reporting, and auditing of all expenditures of GOB funds should be augmented with an intentional, and innovative strategy and structure to engage the public and garner and maintain its confidence and trust. A technology-based plan and program to provide for ease of access to information regarding levels of GOB inclusion and financial expenditures would support the achievement of this effort.

This item has been reviewed and approved by the School Board Attorney's office as to form and legal sufficiency.

**ACTION PROPOSED BY
DR. STEVE GALLON III:**

That The School Board of Miami-Dade County, Florida directs the Superintendent to:

1. establish a system and structure for quarterly reporting of GOB expenditures to the Board by each cost category and related project;
2. provide an expenditure report for all GOB expenditures to date by each category, school board voting district, and school name, and provide same to Board on a quarterly basis;
3. establish and implement a process and system to report all GOB expenditures by each category and related projects for public access and review on the District and specific school location website to be updated quarterly and in alignment with the timeline that the Board receives the same;
4. provide a summary report of the names and amounts paid to each vendor/contractor and sub-contractor to date and a subsequent quarterly report regarding same to the Board. This information is also to be made available for public access and review on the District website;
5. continue to work with the Chief Auditor to ensure and facilitate the conducting of an audit of GOB expenditures to date by each cost category and related projects and subsequent annual audits through the expenditure of all remaining GOB funds; and
6. provide an update on the status and/or completion of the above actions to the Board at the School Board Meeting of February 21, 2018.

Ms. Maria Teresa Rojas, Board Member

Co-Sponsor: Ms. Susie V. Castillo, Board Member } Added

SUBJECT: CYBER SECURITY IN MIAMI-DADE COUNTY PUBLIC SCHOOLS

COMMITTEE: PERSONNEL, STUDENT, SCHOOL, & COMMUNITY SUPPORT

LINK TO STRATEGIC BLUEPRINT: SAFE, HEALTHY, AND SUPPORTIVE LEARNING ENVIRONMENT

Cyber security is an important and growing issue as cyber-attacks continue to escalate and succeed. While technology has improved record keeping, communication, pedagogy, and teaching, a cyber-attack on an IT system can cripple public school operations and result in the theft of significant data and sensitive information.

Though technology expertise in Miami-Dade County Public Schools can be considered one of the best in the nation, there may be additional practices and decisions necessary for the Board to further consider in order to meet both the Board's fiduciary responsibility and duty of care. A recent national survey of school board members conducted by the National School Boards Association (NSBA) revealed a vital need for more information about school board members responsibilities, best practices, and resources. The findings undoubtedly demonstrate that school boards may need to take additional steps to protect information and communication. And, while there are no fool proof methods to stop cybercrime, there may be a number of additional practices that can significantly reduce risks.

This agenda item requests to authorize the Superintendent of Schools to review current practices, procedures, and realistic recommendations to enhance cyber security in Miami-Dade County Public Schools and report back to the board by October 10, 2018.

This item has been reviewed and approved by the School Board Attorney's office as to form and legal sufficiency.

ACTION PROPOSED BY

MS. MARIA TERESA ROJAS: That The School Board of Miami-Dade County, Florida, authorize the Superintendent of Schools to review current practices, procedures, and realistic recommendations to enhance cyber security in Miami-Dade County Public Schools and report back to the Board by October 10, 2018.

Dr. Steve Gallon III, Board Member

Co-Sponsors: Ms. Perla Tabares Hantman, Chair
Dr. Martin Karp, Vice Chair
Ms. Susie V. Castillo
Dr. Lawrence S. Feldman
Ms. Maria Teresa Rojas

SUBJECT: PROCUREMENT

COMMITTEE: FISCAL ACCOUNTABILITY & GOVERNMENT RELATIONS

**LINK TO STRATEGIC
BLUEPRINT: EFFECTIVE AND SUSTAINABLE BUSINESS PRACTICES**

The Miami-Dade County Public Schools is committed to ensuring the proper and appropriate use of all public funds. As a part of ensuring this effort and process, ongoing review, monitoring, assessment, and auditing of procedures and processes governing purchasing must be implemented. These procedures and processes are the responsibility of Procurement Management Services (PMS). PMS is the centralized purchasing system and is responsible for providing procurement services to and on behalf of the School Board. Each year, hundreds of millions of dollars are transacted through the Office of Procurement and through PMS. In order to ensure the effectiveness and efficiency of the District, as well as to secure and maintain the confidence and trust of the public, increased and frequent levels of review and accountability must be adopted and implemented.

The District's procurement function is governed by Board Policy 6320-Purchasing which provides guidelines, procedures, and protocols for the "procurement of supplies, materials, equipment, and services paid for from county school funds." Policy 6320 stipulates that purchasing "*shall be the responsibility of the procurement department under the general supervision of the Chief Procurement Officer and shall be made in accordance with all applicable State statutes, Florida State Board of Education Rules, School Board policies, and administrative procedures.*" It also states that "*no person may make any purchase with Board funds unless authorized to do so by Board policy or by administrative directive, or manuals approved by the Superintendent. The agency designated for making purchases with Board funds is the Board's Procurement Management Services.*"

To ensure compliance of the District's fiscal and related service at all levels, the Office of Management and Compliance Audits, under the direction of the Chief Auditor, "*provides the Superintendent, the Audit and Budget Advisory Committee and the Board with an independent and objective evaluation of the operation of the school system.*"

As stated previously, hundreds of millions of dollars are transacted through the Office of Procurement and through PMS each year. However, there appears to be no current policy and/or practice to conduct an audit of the Office of Procurement and related transactions on a frequent basis. In fact, the most recent *Internal Audit Report of the District's Procurement Operations: Solicitation, Selection, and Award Processes* covered two fiscal years ending June 30, 2018. The total amount of Purchase Orders, Invitations to Bid, and Requests for Proposals, excluding construction and maintenance, during this period was over \$745 million.

Prior to this, records reflect that there was no previous audit of Procurement since 2004—over 12 years ago. Schools in M-DCPS whose annual expenditures are as little as \$3,000.00 a year, are routinely audited on an annual basis.

Considering that Procurement is responsible for and has oversight for the expenditure for a significantly large amount of District revenue and taxpayer dollars, increased and frequent levels of review and accountability, through auditing, would be prudent.

Lastly, although Board Policy and practice delineates the duty and responsibility of the Superintendent and the Chief Procurement Officer, the ultimate authority and accountability for the expenditure of Board funds rests with the Board, as stipulated in F.S. 1001.42. Consequently, increased understanding by the Board of Procurement and related processes and practices should be gained. Thus, this item seeks to direct the Superintendent provide a Board workshop on the Office of Procurement Management, including but not limited to the function and use of the PMS, as well as related measures to be taken to ensure and improve compliance with applicable State statutes, Florida State Board of Education Rules, School Board policies, and administrative procedures. It also seeks to direct the Chief Auditor to contemplate both a short and long range plan for increasing the frequency of auditing of the Office of Procurement Management and District Offices whose transactions exceed \$50 million annually in which the gap between each audit does not exceed three years; and to direct the Superintendent to initiate rulemaking procedures in which audits of Offices whose transactions exceed \$50 million dollars annual are audited not less than every three years.

This item has been reviewed and approved by the School Board Attorney's office as to form and legal sufficiency.

**ACTION PROPOSED BY
DR. STEVE GALLON III:**

That The School Board of Miami-Dade County, Florida, direct:

1. the Superintendent to provide a Board Workshop on the Office of Procurement Management, including but not limited to the function and use of the PMS, as well as related measures to be taken to ensure and improve compliance with applicable State statutes, Florida State Board of Education Rules, School Board policies, and administrative procedures no later than October 31, 2019;
2. the Superintendent to initiate rulemaking procedures in which audits of the Office of Procurement as well as District Offices whose transactions exceed \$50 million dollars annually are recurrently audited, at least every three years;
3. the Chief Auditor to develop both a short and long range plan, inclusive of resources needed, 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; and
4. the Superintendent to provide an update to the School Board at a Fiscal Accountability and Governmental Relations Committee Meeting by August 7, 2019.

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