

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
May 12, 2009**

The School Board Audit Committee met on Tuesday, March 12, 2009 at 12:30 p.m. in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Ms. Betty Amos, Chair
Ms. Perla Tabares Hantman, Board Member
Mr. Manuel A. Gonzalez
Ms. Susan Marie Kairalla
Mr. Willie Kemp
Mr. Frederick F. Thornburg, Esq.
Mr. Nick Tootle

Non-Voting:

Dr. Richard H. Hinds
Mr. Jose F. Montes de Oca

Members Absent:

Mr. Peter A. Lagonowicz
Mr. Jeffrey B. Shapiro
Mr. Robert Schomber, Vice Chair

Call to Order

Ms. Amos called the meeting to order at 12:36 p.m.

Introductions

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

Mr. Alberto M. Carvalho, Superintendent of Schools	Mr. Eddie Barriero, District Supervisor
Mr. Luis M. Garcia, Acting School Board Attorney	Ms. Mary Paz, Instructional Supervisor
Mr. Freddie Woodson, Deputy Superintendent	Mr. Carlos Manrique, Supervisor
Ms. Judith Marte, Chief Budget Officer	Mr. Luis Baluja, Audit Supervisor
Mr. Jaime Torrens, Chief Facilities Officer	Ms. Latosha T. Styles, Auditor, OMCA
Ms. Debbie Karcher, Chief Information Officer	Mr. Jerold Blumstein, Administrative Assistant
Ms. Silvia R. Rojas, Treasurer	Ms. Jackeline Fals-Chew, Administrative Assistant
Ms. Ana Rijo-Conde, Facilities Planning Officer	Ms. Denise Izquierdo, Administrative Assistant
Ms. Vera Hirsh, Asst. Supt.	Ms. Viviana A. Jordan, Administrative Assistant
Ms. Maria Teresa Rojas, Asst Supt.	Ms. Ana Lara, Administrative Assistant
Mr. John Schuster, Chief Comm. Officer	Ms. Dalia Rosales, Administrative Assistant
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Ms. Bertha Valcarcel, Staff Member to Ms. Hantman
Mr. Trevor L. Williams, Asst. Chief, Operational Audits	Ms. Lourdes Amaya, Admin. Asst.
Ms. Connie Pou, Controller	Ms. Elsa Berrios-Montijo, Admin. Secr.
Ms. Daisy Naya, Asst. Controller	Ms. Sheryl Ragoo, Admin. Secr.
Ms. Janet S. Hupp, Regional Superintendent	Ms. Cecilia L. Core, GLSC and Co.
	Mr. Manuel Garcia, GLSC and Co.

Dr. Marcos M. Moran, Regional Superintendent
Dr. Essie S. Pace, Regional Superintendent
Ms. Helen Blanch, Administrative Director
Mr. Robert M. Brown, Administrative Director
Ms. Charlene Burks, Administrative Director
Ms. Cynthia Gracia, Administrative Director
Mr. Francis Hoar, Administrative Director
Ms. Martha Montaner, Administrative Director
Mr. Carl Nicoleau, Administrative Director
Mr. Rudy Rodriguez, Senior Director - ERP
Mr. Jimmie L. Brown, Jr., District Director
Mr. Nicholas Di Liello, District Director
Ms. Kimberly Gaines, District Director
Ms. Ronda Martin, District Director

Mr. Antonio Martinez, District Director
Mr. Julio C. Miranda, District Director
Ms. Odalis J. Garces, Executive Director
Ms. Abby Walker, Executive Director
Ms. Cheryl B. Nasai, Director II
Ms. Tamara Wain, Director
Mr. Dylan Hughes, Supervisory Agent
Ms. Tanya Jackson, Inspector General Office
Mr. Dan Ricker, Watchdog Report

1. Approval of the Minutes of the Audit Committee meetings of January 27, 2009, March 17, 2009 and April 15, 2009

Separate motions were made to approve the three sets of minutes referenced above, which were considered and approved individually, with a minor change to the minutes of the January 27, 2009 meeting.

EXTERNAL AUDITS:

2. Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2008

Ms. Silvia Rojas, Treasurer, presented the report and stated that this audit, which was performed by KPMG, LLP, is part of the Interlocal Agreement between Miami-Dade County and the School Board. This agreement requires that reciprocal audited financial statements be provided for review every year. Ms. Rojas noted that the financial statements are presented fairly and there were no exceptions. She also pointed out the continued decrease in revenue.

After minimal discussion, a motion was made by Mr. Gonzalez, seconded by Mr. Tootle, which carried unanimously, to recommend that the Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2008 be received and filed by the School Board.

3. Review of Community Based Organization Financial Statements – Lincoln Marti Community Agency, Inc.

Mr. Williams presented the report and stated that the financial statements were reviewed and found to be in order. Furthermore, Mr. Williams informed the Committee that this was Lincoln

Marti's last year of operations as a community based organization and they were approved to provide educational services as a charter school.

After some discussion, a motion was made by Mr. Gonzalez, seconded by Ms. Kairalla, which carried unanimously, to recommend that the Review of Community Based Organization Financial Statements – Lincoln Marti Community Agency, Inc be received and filed by the School Board.

INTERNAL AUDITS:

4. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca gave a brief summary of the Activity Report. He provided to the Committee a list of the assignments currently in progress with more audits scheduled for presentation in June. Under other activities he addressed the State of Florida Auditor General's FTE examination report, and was pleased to announce that the initial findings showed a decline of \$1 million in the amount assessed against the District, when compared to their prior examination. He informed the Committee that the preliminary and tentative report will be forthcoming at the end of May and because of the time frame needed for responses from the administration, it would likely be presented to the Committee in September 2009. He also addressed the Money Matters Support Program and reported that he has had conversations with School Operations and other involved parties to set up a more robust and personal Money Matters Support Program next year. Mr. Montes de Oca noted that among the components of the school audits next year he plans to add steps to look at the budget administration. He pointed out this should be of particular interest to the Audit Committee, given its proposed role to oversee the budget process.

Mr. Woodson added that there will be various in-service trainings given to principals during the summer, including budget process, internal accounting, and maintaining a safe environment.

Ms. Kairalla suggested that a module on the procedures of fundraising should be made part of the Money Matters Support Program so that principals may communicate to the parents the rules in regards to fundraising. In addition, she said, rules regarding fundraising should be available in the parent portal for their information.

Mr. Montes de Oca informed Ms. Kairalla that several years ago the audits department was involved with reviewing the PTA treasurers' and presidents' accounting rules to better safeguard PTA funds and he plans to be more involved with PTA's in the near future.

Mr. Montes de Oca notified the Committee that the CPA firm, Carr Riggs & Ingram was hired to perform specific project closeout audits and is in the process of completing its audits of three recently completed construction projects.

There were some inquiries among Committee members as to the firm's reputation for recovering monies. Mr. Williams explained that this is the first time they are using the firm's services and the firm has provided a list of their past performances. Mr. Williams noted that this firm has identified monies to be recovered at other school districts as a result of its audits and he understands that the firm will use the same approach and identify monies as well for this district.

Mr. Montes de Oca recognized Mr. Trevor Williams, Assistant Chief Auditor, on his participation as a strategic support team member of the Council of the Great City Schools in its review of the Atlanta Public Schools' Facilities, Maintenance and Operations function.

The Activity Report was for informational purposes only; therefore, no action by the Audit Committee was required.

5. Internal Audit Report – Selected Schools

Ms. Gonzalez presented the report and noted that this report includes the audit results of 69 schools from various regional centers. At 58 of the 69 schools, there was general compliance with prescribed policies and procedures and site records were maintained in good order. However, at 11 schools, controls over various aspects of internal funds, payroll, Title I program expenditures, FTE records, and school site IT security need improvement.

Ms. Hantman referred to page 4, and noted that she is not pleased with the way the report states the prior findings. It is not clear to her.

Ms. Amos asked Ms. Gonzalez if she is satisfied with the management responses and does Ms. Gonzalez believe that these will not be recurring findings.

Ms. Gonzalez explained that the responses were good and the administration will provide any support needed to strengthen controls at the schools.

There was some discussion about the property loss at Miami Lakes Educational Center. Ms. Gonzalez explained that there are two processes to document property losses. In this case, the plant security process was used as a result of vandalism.

Ms. Hantman expressed concern that she was not aware of the property loss at Miami Lakes Educational Center and noted that she understands that there is a memorandum of explanation, but she believes that not all parties were notified.

Ms. Gonzalez explained that a memorandum was requested and the principal did provide the memorandum which is in the report and all parties should have been notified. Ms. Gonzalez noted that in the future she will discuss further with the Region Superintendent.

Ms. Amos referred to page 39, and inquired about the \$115,000 that was paid directly to the vendor.

Ms. Gonzalez explained that she believes that there was no wrongdoing in this case. Solely staff was overwhelmed and did not follow procedures.

Ms. Amos referred to page 49, and inquired about the inadequate oversight over athletic expenses (jackets) and asked if there are guidelines on who should receive the jackets.

Ms. Gonzalez explained that there are no specific guidelines.

Mr. Kemp asked about the procedure on paying for field trips.

Ms. Gonzalez explained that Section IV, Chapter 1 of the *Manual of Internal Fund Accounting*, states that the financial activity associated with school-sponsored field trips must be accounted for through the internal funds of the school. In addition, there is a handbook for field trips.

Ms. Hantman asked what is the procedure for field trips.

Ms. Gonzalez explained that a field trip form has to be submitted to the Region for approval.

Ms. Hantman asked about the liability of the students.

Mr. Montes de Oca explained that the school should contract approved vendors and these vendors should have insurance.

Ms. Hantman asked specifically about the Board's liability on the trips to Tallahassee (Rally to Tally).

Mr. Garcia explained that the Board assumes the liability for any school sponsored field trip subject to the limitations of Florida Statute, Section 768.28, for injury or loss of property, personal injury, or death caused by the negligent or wrongful act or omission of any employee while acting within the scope of the employee's employment function with the Board.

Ms. Hantman expressed that her concern is for the future. She noted that nothing happened on the trips, but something could happen in the future and the Board could be held liable.

Dr. Hinds commented that there are excursions that happen every year with gradnite with over 15,000 students and he suggested that some decision needs to be made.

The Committee recommended that further review should take place regarding this field trip issue and reported back to the Committee.

Mr. Montes de Oca noted that he will try to bring something back by the next Audit Committee, but if it gets too involved he will bring it to September's Audit Committee meeting. The Committee agreed.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Mr. Tootle, and carried unanimously, to recommend that the Internal Audit Report – Selected Schools be received and filed by the School Board.

6. Update on Payroll Related Matters Involving Maintenance Employees

Mr. Torrens explained that this report is a resubmittal of a follow up report that was reviewed at the Audit Committee meeting of March 17, 2009. He noted that there was a lengthy discussion at that meeting regarding the Fair Labor Standards Act, different payroll procedures and collective bargaining agreements.

Dr. Hinds provided a detailed explanation of the three Audit Committee and Auditors' Recommendations dealing with standardized overtime/and or compensatory time; the District's long standing practice of 37.5 hours work week, eliminating sick and vacation leave for computation of overtime.

He also stated that these issues have collective bargaining implications and clarified that overtime is not applicable for teachers and professional employees. He also explained that downtown departments cannot offer overtime due to the current financial difficulties.

Mr. Torrens explained that overtime at Maintenance is not a major issue now or for the next couple of years.

Ms. Hantman asked if confidential exempt employees are allowed to receive overtime, because she was under the impression that all overtime had ceased.

Ms. Hirsh explained that overtime was discontinued per a directive of the prior administration, but the potential exists since the manual has not been revised.

Dr. Hinds assured the Committee that overtime has been reduced with exceptions of emergencies that are to be expected in such a large District.

Superintendent Carvalho pointed out that in the School Police area the Interim Chief has brought overtime to well below the budgeted amount. Also, no one in the Superintendent's immediate staff is authorized for overtime. Previously, overtime was used, but now is limited to specific entities where it is authorized. The Superintendent offered to have the payroll records for overtime available for examination.

Mr. Thornburg was satisfied with the explanation from Dr. Hinds showing that the District was in compliance with the Fair Labor Standards Act.

The Committee thanked Mr. Torrens for the detailed explanations provided in response to their concerns.

OTHER BUSINESS:

7. Update on Changes to Board Rules:

(a) Review of Proposed Changes to Board Rule 6Gx13- 2C-1.14 Office of Management and Compliance Audits

(b) Review of Proposed Changes to Board Rule 6Gx13- 2C-1.142 Audit Committee

(c) Proposed Audit and Finance Committee Board Rule

The Committee reviewed the proposed amendment to School Board Rules 6Gx13- 2C-1.142, *Audit Committee*, and 6Gx13- 2C-1.14, *Office of Management and Compliance Audits*. Mr. Luis Garcia, Interim School Board Attorney, explained that additional changes were requested by Ms. Perla Tabares Hantman. The changes were to establish a process for scheduling Special Audit Committee meetings, and to review any relevant rules in order to comport to the reporting line for the Chief Auditor and the Office of Management and Compliance Audits. The Committee endorsed the changes.

The Committee also considered some revisions to the Proposed Audit and Finance Committee Board Rule. The Committee suggested establishing a subcommittee with the participation of Dr. Richard Hinds, Chief Financial Officer, to further review the rule, since the Committee will be involved in advising the School Board in matters pertaining to the budget process; and bring back recommendations to the full Committee.

8. Update on Enterprise Resource Planning (ERP)

Ms. Deborah Karcher, Chief Information Officer, provided an update on the Enterprise Resource Planning (ERP), which was previously presented to the Board, highlighting the substantial progress that has been made since the project was taken over by M-DCPS staff.

Ms. Amos expressed satisfaction with the direction in which the project was moving, which according to the presentation was on-time, within budget, and is achieving a substantial reduction of cost. She then asked Mr. Carvalho if he could share his thoughts with the Audit Committee.

Mr. Carvalho explained that there were three areas of great concern to the District that had to be addressed: 1) Decreasing Police overtime; 2) Incorporating several ERP Modules that were dropped off the project; and 3) Balancing the revenues and costs of the Food Service Program to avoid deficits without making a big profit. He was happy to say that all three issues have been targeted and achieved.

The Committee was pleased with the update and the advancement of the project.

9. Update on Outside Auditor Fees

Ms. Amos informed the Committee that Mr. Michael Pattillo, Partner in charge for Ernst & Young, LLP, favorably considered their previous request to reduce the audit fees for FY 2009, and was proposing a reduction of 15% or \$64,800, with a corresponding promise to maintain their high level quality work.

Committee members expressed their satisfaction with having saved the District this much money in times of dire need.

10. Update Florida Auditor General's FTE Examination

Mr. Montes de Oca informed the Committee about the preliminary report of the Auditor General's FTE Examination as part of the item #4, Office Management and Compliance Audits Activity Report, earlier in the meeting.

Mr. Carvalho gave an update on how the situation with the FTE has been corrected. The District is now scheduled to receive its full proportion of FTE funds, approximately an additional \$20 million dollars, as a result of the work by Ms. Judith Marte and her staff.

He also informed the Committee that litigation with the State over their modification of local tax collection practices was discontinued after the State agreed to drop the issue. This matter, that was negotiated by Dr. Hinds, had a \$50 million dollar impact to the Miami-Dade County School District.

Ms. Hantman shared with the Committee her satisfaction with these positive results. She was thankful for the work of Dr. Hinds and his staff under the leadership of the Superintendent. She also commented on how things have changed for the better for the Board.

Mr. Woodson noted that when the Audit Committee was made aware of the large assessment made by the Auditor General in its prior report, which resulted in over \$1 million loss to the District, the Committee through its direction to the Office of Management and Compliance Audits in particular and to the District as a whole, played an important role in achieving a substantial reduction of the assessment in this report. Mr. Woodson emphatically thanked the Audit Committee for its interest and support in this matter.

11. Update on the Chief Auditor Search

Ms. Vera Hirsh, Assistant Superintendent, Human Resources, briefed the Committee on the status of the search for the Chief Auditor position and explained the timelines and procedures.

Ms. Hantman reminded Human Resources about disclosures of conflict of interest by the applicants.

After some discussion a motion was made by Mr. Tootle and seconded by Ms. Hantman, and carried unanimously, to reverse the order of the Audit Committee's regularly scheduled meeting of June 30, 2009 to June 23, 2009, to allow the oral interviews of candidates for Chief Auditor position to be held on June 30, 2009, instead of June 23, 2009.

12. New Business

Adjournment

Ms. Amos adjourned the meeting at 2:27 p.m.