

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
May 17, 2011**

The School Board Audit Committee (AC) met on Tuesday, May 17, 2011 in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Frederick F. Thornburg, Esq., Chair
Dr. Lawrence Feldman, School Board Vice Chair
Ms. Susan Marie Kairalla
Mr. Mayowa Odusanya, Esq.
Mr. Jose I. Rasco, CPA
Mr. Isaac Salver, CPA

Members Absent:

Mr. Willie Kemp
Ms. Wendy Lobos
Mr. Roland Sanchez-Medina, Esq.
Mr. Jeffrey B. Shapiro, Esq., Vice Chair

Non-Voting:

Dr. Richard H. Hinds, Associate Supt./CFO
Mr. Jose F. Montes de Oca, CPA, Chief Auditor

Call to Order

The AC Chair Frederick Thornburg called the meeting to order at 12:39 p.m. and warmly welcomed everyone in attendance.

1. Introductions

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

Ms. Perla Tabares Hantman, School Board Chair	Ms. Enid Weisman, Assistant Superintendent
Dr. Marta Perez, School Board Member	Ms. Judith Marte, Chief Budget Officer
Ms. Raquel Regalado, School Board Member	Ms. Connie Pou, Controller
Mr. Alberto M. Carvalho, Superintendent of Schools	Ms. Daisy Naya, Assistant Controller
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Luis Garcia, Deputy School Board Attorney	Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs
Mr. Freddie Woodson, Deputy Superintendent	Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits
Ms. Magaly Abrahamante, Assistant Superintendent	Mr. John Schuster, Chief Communications Officer
Dr. Helen Blanch, Assistant Superintendent	Mr. John Labonia, General Manager, WLRN
Ms. Iraidia Mendez-Cartaya, Asst. Superintendent	Ms. Janice Cruse-Sanchez, Administrative Director
Mr. Carl Nicoleau, Assistant Superintendent	Ms. Marta Montaner, Administrative Director
Dr. Dan Tosado, Assistant Superintendent	Ms. Tiffanie Pauline, Administrative Director

Attendance Continued

Dr. Ana M. Rasco, Administrative Director
Ms. Mindy McNichols, Asst. School Board Attorney
Mr. Ivo Gomez, Claims Compliance Officer
Ms. Rhoda O. Shirley, Executive Director
Ms. Meyme Falcone, Director
Mr. Jon Goodman, Director
Mr. Chris Morgan, Director
Ms. Tamara Wain, Director
Ms. Mary L. Snipes, Specialist
Mr. Luis Baluja, Supervisor
Mr. James O'Donnell, ITS
Mr. Mario J. Beovides, Administrative Assistant
Mr. Blake Juste, Administrative Assistant
Ms. Ana Lara, Administrative Assistant
Ms. Marisol Perez, Administrative Assistant
Ms. Ana Pereira, Administrative Assistant
Ms. Dalia Rosales, Administrative Assistant
Ms. Liana Tommasi, Administrative Assistant
Ms. Lourdes Amaya, Administrative Aide
Ms. Elsie Berrios-Montijo, Administrative Secretary
Ms. Lucila Gonzalez, Administrative Secretary
Mr. Kyle Nelson, Intern, OM&CA
Mr. Dan Ricker, Publisher and Editor
Ms. Kathleen McGrory, Miami Herald
Mr. Scott Hiaasen, Miami Herald

Mr. Donovan Maginley, Partner, McGladrey & Pullen
Mr. Brett Friedman, Director, McGladrey & Pullen
Mr. Carlos Trueba, RT&C
Mr. Kevin Adderley, Sharpton & Brunson Co.
Ms. Sandra Avila, Parent, Academy Arts & Minds
Ms. Ivelisse Beriol, Parent, Academy Arts & Minds
Mr. Charles Doroudy, Parent, Academy Arts & Minds
Mr. Carlos Hernandez, Parent, Academy Arts & Minds
Ms. Dolores Mastrapa, Parent, Academy Arts & Minds
Ms. Sherri Myers, Parent, Academy Arts & Minds
Ms. Monica Ruiz, Parent, Academy Arts & Minds

2. Approval of the Minutes of the Audit Committee meeting of March 29, 2011

The Chair drew the Audit Committee members' attention to the minutes for the Audit Committee meeting of March and asked whether any members had any questions relating to the content of the proposed minutes. There being no questions, a motion was duly made by Mr. Salver and seconded by Dr. Feldman to approve the proffered minutes to serve as the official memorialization of the March 29, 2011 Audit Committee meeting. The motion carried unanimously.

The Chair complimented Chief Auditor Montes de Oca and his team on their typically superb job in drafting the minutes.

3. McGladrey & Pullen Audit Plan for Audit of the Annual Financial Statements of the School District for Fiscal Year 2011

Mr. Donovan Maginley, Partner, McGladrey & Pullen, made a power point presentation on the School Board of Miami-Dade County, Florida, Audit Plan and summarized the scope of their proposed audit. Mr. Maginley noted that the plan is a working document and asked for input from all stakeholders.

Dr. Feldman expressed concern about this report not being received in a timely manner and recommended that more time be allowed to provide input.

Mr. Thornburg concurred in Dr. Feldman's comment. Accordingly, the Committee Chair recommended that since the plan had been submitted on Friday and the Committee members were not afforded sufficient time to thoroughly review the important proposal plan, he suggested to the Committee members that they review the plan and bring back their input at the next Committee's scheduled meeting.

All Committee members endorsed the Chair's recommendation to carry the matter over to the June meeting.

Mr. Salver inquired about the McGladrey's contract and asked why it has not been signed. Mr. Maginley said that all terms have been worked out and the contract should be signed in the near future.

Mr. Thornburg requested that the contract be shared with the Committee as required by the Audit Committee's School Board Rule.

Ms. Regalado suggested that the review of grants should include concurring as well as non-concurring grants.

Chief Auditor Montes de Oca referred to page 13 of the plan and asked if those categories are in sequential order. Mr. Maginley responded that they are not in sequential order. Mr. Montes de Oca then referred to page 9 of the plan which contains the engagement timetable and informed Mr. Maginley that during the last two weeks of December Miami-Dade County Public Schools will be closed. Therefore, the Chief Auditor suggested Mr. Maginley needs to plan accordingly. Mr. Maginley acknowledged the appropriateness of the suggestion.

4. State of Florida Auditor General Report – Single Audit for the Fiscal Year Ended June 30, 2010

Dr. Feldman highlighted the six findings and management's responses thereto. He voiced his dissatisfaction with the findings and how they were being addressed.

Mr. Odusanya concurred with Dr. Feldman and commented that there is no clear accountability on how issues are being addressed.

Mr. Salver referred to page 2 of the report, where it states that the District received a clean opinion, and added that the findings were inconclusive and only added up to about half of a million dollars in costs noting that he was effectively pleased with the end results. Mr. Salver inquired about the single audit being conducted by the Auditor General instead of a public external auditor and observed that if the savings were so enormous, why were prior audits issued by the Auditor General not used.

In response to Mr. Salver's inquiry Mr. Montes de Oca explained that the Auditor General conducts the audit every three years and it is the administration's decision to use the Auditor General's report instead of an external public firm. The Chief Auditor explained that last year he presented the administration with the opportunity to save approximately \$450,000 by utilizing the Auditor General's report which the Committee and the new administration decided to use.

Reacting to an observation made by Mr. Salver, Mr. Carvalho said that he agreed with Mr. Salver about the relativity of the questioned costs of \$550,000 when compared to total expenditures in excess of \$600 million, noting that the questioned costs amount to less than 0.09% of the total expenditures. Mr. Carvalho registered total disagreement with finding number one and explained that he has direct knowledge and experience by having been in charge of federal programs and this finding is wrong. The Superintendent expressed confidence with the controls in place and complimented the staff who manages these programs, particularly Dr. Magaly Abrahamte and Ms. Iraida Mendez-Cartaya. He also expressed his delight with the \$450,000 savings by not having to retain a public external audit firm.

Mr. Thornburg pointed out that at its last meeting the Committee asked for a status report on the follow-up to the recommendations contained in the Operational Audit and asked that the Office of Management and Compliance Audits also include in that status report the recommendations contained in the Single Audit.

There was no further discussion and upon a motion duly made by Mr. Salver, seconded by Mr. Rasco, that carried unanimously, it was recommended that the State of Florida Auditor General Report – Single Audit for the Fiscal Year Ended June 30, 2010 be received and filed by the School Board.

5. Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2010

Ms. Silvia Rojas, Treasurer, presented the report and stated that this audit, which was performed by KPMG, LLP, for the county's fiscal year ended September 30, 2010 had no audit findings or recommendations.

There was no further discussion and upon a motion duly made by Mr. Rasco, seconded by Mr. Odusanya, that carried unanimously, it was recommended that the Financial Statements on Annual Educational Facilities Impact Fees Agency Funds of Miami-Dade County as of September 30, 2010 be received and filed by the School Board.

EXTERNAL AUDITS:

6. Charter School Operations

(a) Legal Opinion on Tax Exemption for four schools

Mr. Montes de Oca reminded the Committee that at its last meeting a legal opinion was requested from the School Board Attorney concerning certain issues raised by the Office of Management and Compliance Audits, with respect to the tax exempt status of these schools, and for that reason these financial statements were tabled until the receipt of the legal opinion. Since the opinion was only distributed at the meeting, the Committee decided to again table the item until its June meeting in order to afford Committee members sufficient time to acquaint themselves with the contents of the School Board Attorney's opinion prior to discussion.

(b) Status Report on Academy of Arts & Minds

Dr. Blanch reported that Charter School Operations has been working with both a group of parents and the Chair of the governing board of the school regarding complaints made by that group of parents relating to the governance of the school. Charter School Operations suggested to the parents that they submit their concerns in writing to the District. They have subsequently submitted their concerns and complaints. Charter School Operations in turn, given the length, potential seriousness and depth of the issues that have been registered, forwarded the letter to the Office of Management and Compliance Audits and the Office of the Inspector General along with a formal request to investigate the multitude of infractions alleged by the group of parents. Dr. Blanch explained that the concerns listed are beyond the scope of the Charter School Operations department and may potentially involve statutory non-compliance questions.

Chair Thornburg and School Board Attorney Harvey agreed that the Committee should be given a copy of the complaint, but that it is premature to discuss the allegations or suggest conclusions until the requested formal investigation has been concluded.

Mr. Woodson stated that the letter was submitted to the Office of Management and Compliance Audits and the Office of the Inspector General but it has not been submitted to the School Board.

Some Board and Committee members expressed concern that this item was placed on the agenda, when the parent group was in attendance, and it was premature to discuss this in detail. Board Chair Hantman was also dissatisfied that the complaint and request for investigation had not been communicated to the School Board. Mr. Thornburg agreed with Ms. Hantman.

Mr. Montes de Oca and Dr. Blanch pointed out that the reason this item was included on the Agenda was to update the Committee in reference to what has transpired, since the Committee has been dealing with issues related to this school for some time. The Chief Auditor explained the purpose was not to publicize the allegations or suggest conclusions.

After further discussion, the Committee decided that because of the serious nature of the allegations they should not be discussed in this forum, as any statements made may potentially result in legal implications later on. The Chair assured the parents that their concerns were now in the proper hands and that their concerns will be addressed.

(c)Status Report on Balere Academy

Charter School Operations Assistant Superintendent, Dr. Blanch, explained to the Committee that the notice to terminate the Balere Charter School contract had been served on the appropriate parties. The Assistant Superintendent also explained that the reasons for terminating the contract included academic as well as financial issues which had been brought before the Audit Committee several times before. Dr. Blanch cautioned the Committee that since the decision to terminate the contract may be appealed by the charter school as part of its due process rights, the School Board Attorney has advised against discussing details of the proposed termination. She concluded that the reason for bringing this closure to the attention of the Committee was because of the many updates that had been provided to the Committee regarding this school in the past.

(d)Update on the Charter Schools Cost-Analysis Report – School Board Member, Mr. Renier Diaz de la Portilla Agenda Item H-27

This item was intended to provide an update on the Cost-Analysis Report requested by School Board member Mr. Renier Diaz de la Portilla, which was endorsed and approved by the School Board on March 9, 2011.

Dr. Blanch explained that they have completed the first phase of the report; and are on target to provide the report to OMCA by the June Audit Committee meeting. This first phase entailed identifying the time that staff has directly invested on administrative matters of charter schools.

INTERNAL AUDITS:

7. Internal Audit Report – Selected Schools

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits Division, presented the Selected Schools Audit and pointed out that the report includes the audit results of 42 schools, two of which had audit exceptions. At one of these schools, Charles Drew Middle, the auditors discovered misappropriation of funds by the former school treasurer and the case was referred to the State Attorney's Office for prosecution.

Dr. Feldman registered strong concerns about the repetitive nature of the findings and the unacceptable manner in which administrators are being held accountable for this type of neglect in their duties.

Ms. Kairalla concurred with Dr. Feldman and advised that trainings need to be more intensive and reprimands need to be stronger. She also spoke about the manner in which Title I funds are being spent and the crying need to have parents be more involved in their children's education.

In reply to the remarks made, Mr. Woodson pointed out that although both of these schools report directly to the Education Transformation Office, School Operations provide support and assistance to all schools. He also expressed concurrence with Dr. Feldman's concerns and explained that the upcoming school year will be the first year in a long time when there will be an excess of qualified principals. Mr. Woodson informed the Committee that the Superintendent has made it clear to staff that if principals are not properly discharging their responsibilities they should not remain as principals.

Dr. Feldman referring to the fraud, asked Mr. Miranda what was the timeline for the completion of this investigation. Mr. Miranda responded that the problem was identified in a routine school audit and basically took a month to complete the audit and the investigation which included a confession, the arrest and the referral to the State Attorney's Office.

Dr. Feldman complimented Mr. Miranda and the auditors who conducted the investigation and opined that this is the manner in which investigations should be conducted.

Chair Thornburg observed that notwithstanding the well-taken call for improvement, as noted by Dr. Feldman and Ms. Kairalla, he is impressed with the fact there are not more problems uncovered in an operation of this magnitude. He complimented Mr. Woodson and his team for what he deemes to be an overall outstanding operational performance.

There was no further discussion and upon a motion duly made by Mr. Salver, seconded by Ms. Kairalla, that carried unanimously, it was recommended that the Internal Audit Report – Selected Schools be received and filed by the School Board.

8. Internal Audit Report – District Budget Practices

Chief Auditor Montes de Oca observed that the last three years has been a difficult period for the budget department. In his opinion, the budget department manages a fine operation despite the fact that the budget is large, complex and revenues have been shrinking. He noted that the report identifies opportunities to improve the process. He referred to his letter of the report where he recognizes the budget office for receiving the GFOA's Distinguished Budget Presentation Award for its FY 2010-11 budget document in April 2011. The certificate, he explained, is presented to those participating government agencies whose budget documents are judged to be of the very highest quality and adhere to that organization's standards for budget presentation.

Mr. Thornburg also complimented the budget office for the award received. In addition, he remarked that the audit appropriately did not delve into the budget department's philosophy or strategies.

Mr. Trevor Williams, Assistant Chief Auditor, Operational and Performance Audits, agreed with the Chair's comment stating that the audit was not designed to delve into the philosophies of management and whether the auditors agree with them. Rather, Mr. Williams noted that the focus was to examine the adequacy of the process, and whether there are effective controls in place over the budget of the District. He explained that although controls are adequate, there were recommendations to improve the audit trail. Mr. Williams commended Ms. Judith Marte and her staff for doing a very good job.

Mr. Rasco inquired about the procedures manual and asked if there was any indication that the manual would be used even if it was outdated.

Ms. Marte addressed the Committee to lessen any concerns they may be harboring. She explained that there is an audit trail and explained that the items in question relate to a special line of budget called e-rate and the supporting documentation used to budget e-rate has been the same documentation for fifteen years. However, recognizing the value of the recommendation, Ms. Marte promised that the budget department will augment the documentation on file to enhance the audit trail.

Dr. Hinds commented that although he respects Mr. Williams for his professional knowledge and welcomes his recommendations, it should be noted that the recent improvement from negative to stable in the Wall Street ratings for the District, in spite of the catastrophically low 2007-08 fund balance and the persistent deteriorating financial situation, is proof that the budget department is doing an excellent job.

Mr. Williams concurred with Dr. Hind's comment; however, he noted that there were no recommendations made relating to the accountability of the District's money because those records were very good. Mr. Williams concluded that his recommendations were designed to improve recordkeeping.

There was some discussion amongst several members relating to the enhancement of record keeping and it was asked if it is cost-effective to do so. In response to the discussion concerning the documentation issue, Mr. Montes de Oca explained that the ultimate objective

and benefit for conducting this audit is that the School Board and the Committee will be better assured that the District's budget is as accurate as possible and that the recommendations made are solely for improvements.

After some more general discussion and upon a motion duly made by Ms. Kairalla, seconded by Mr. Odusanya, that carried unanimously, it was recommended that the Internal Audit Report - District Budget Practices be received and filed by the School Board.

9. Internal Audit Report – Network and Information Security, Information Technology Services Infrastructure and Systems Support Area I - Selected Schools

Mr. Williams introduced the report and noted that it is the second in a series of reports of this nature. He stated that although the auditor's role is to identify potential risks and the report includes seven audit findings, he has the overall comfort that there are no major problems identified. Mr. Williams explained that there is some deviation from network security standards and hence there is room for improvement.

Mr. Odusanya remarked that since management agrees with the findings he asked what will be the timeline for correcting the findings and emphasized the importance of taking corrective action promptly.

Ms. Debbie Karcher, Chief Information Officer, outlined the many reasons why standards are not consistently enforced. She provided some examples, like movement of computers, which happens at the schools frequently, and machines that often are not turned on for months at a time and explained that if the computers are off for a long time, they do not receive the updates needed. Ms. Karcher also indicated that her staff manages 400 locations with approximately 140,000 devices and many times computers are managed remotely. She focused the Committee's attention on the fact that they have had reductions in the number of technicians, and a proximate result is they have fewer technicians to attend to larger demands. Ms. Karcher concluded that they do prepare for upcoming audits and take the auditors recommendations seriously and will make every effort to make improvements by implementing the recommendations.

There was no further discussion and upon a motion duly made by Ms. Kairalla, seconded by Mr. Odusanya, that carried unanimously, it was recommended that the Internal Audit Report – Network and Information Security, Information Technology Services Infrastructure and Systems Support Area I - Selected Schools be received and filed by the School Board.

10. M-DCPS – Monthly Financial Report – March 2011

Ms. Pou introduced the report and noted that this quarterly report had already been submitted and accepted by the School Board at its meeting of May 11, 2011. Ms. Pou stated that they are on target with the budget and plan to end the year with the projected fund balance.

This report was for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

11. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca stated that the vast majority of the information contained in this report had been covered during the meeting; therefore there is no need to elaborate on the contents of the report.

This report was for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

12. Update on Legislative Session/Budget

Because the Committee will eventually become involved in a macro, limited advisory capacity in the budgetary process, the Committee Chair asked the Superintendent to provide a budget update.

Superintendent Carvalho and Dr. Hinds provided the Committee with an excellent and very comprehensive status report on the budget.

Mr. Carvalho explained that there was a dramatic reduction of \$185 million in potential revenue to the District which will be mitigated by requiring employees to contribute \$112 million to their Florida Retirement plan. Nevertheless, there is still an anticipated \$83 million gap which the District must creatively seek to cover.

Mr. Carvalho promised that even under these circumstances art and music programs at schools will not be affected, there will not be an increase of the tax millage, and teacher jobs will be preserved.

Mr. Carvalho thanked the Committee for playing an important role in assisting the School Board and the administration with tough decisions in the budget.

Mr. Thornburg complimented the administration for its creativity and a super job despite tremendous, adverse odds and challenges. Ms. Kairalla joined the Chair in complimenting the administration.

This report was for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

13. Status Report of the WLRN/Friends Operating Agreement

The Committee received an oral presentation on the status of WLRN/Friends Operating Agreement. Mr. Walter Harvey, School Board Attorney, expressed confidence that the agreement will be completed shortly and brought to the School Board in the very near future. The Chair observed that based on past updates to the Committee, there are still some outstanding issues with regard to the agreement that should be addressed in the Operating Agreement. Mr. John LaBonia, General Manager, WLRN explained that there are important issues which still must be resolved; and that they have been discussed with representatives from Friends. He expressed confidence that in 30 to 40 days the parties will have come to an agreement on these issues.

Ms. Hantman asked if the concerns she had expressed had been addressed and after hearing that they had not, inquired as to why not after so many months.

Mr. Harvey replied that he had provided Ms. Hantman's input to Mr. Tatelbaum and some of her concerns have already been incorporated into the bylaws. He agreed with Ms. Hantman that there has been sufficient time to incorporate them all. Mr. Harvey emphasized that he continues to push for incorporating all the changes, noting how important they are; and has been told that Friends Board will be addressing these changes in the second week of June.

Ms. Hantman reiterated her disappointment at the lack of progress after eight months of her having proposed the changes, which were unanimously endorsed and approved by the Audit Committee. Mr. Harvey committed to conveying Ms. Hantman's and the Audit Committee's disappointment with the lack of progress to the appropriate parties at Friends. The Chair asked that a follow-up report regarding progress on the Operating Agreement and School Board Chair's Hantman suggestions be provided to the Audit Committee at its September meeting if enough progress is made to warrant such a report.

Ms. Hantman expressed disappointment in not having heard about what transpires at Friends' meetings even though she has appointed a School Board member and alternate to the Friends' Board.

Superintendent Carvalho commented that Friends had made a number of concessions by incorporating several changes that were demanded by the District administration into Friends' bylaws, such as by reinstating critical provisions contained in Friend's 1995 bylaws. Specifically, he cited the change where he now has the power to appoint the new CFO, a process in which he plans to be very involved. The Superintendent also shared with the Committee that he plans to invite Friends to explore the possibility to move its administrative offices into available space at the District, thus saving the rent expense and allowing them to be closer to the entity they are entrusted to help. In response to a question by Mr. Salver, the Superintendent explained why the Committee had become involved with the issues of WLRN and Friends, he thanked the Committee for its involvement and recognized its valuable contribution to the progress that has been achieved. He concluded, however, that now is the proper time for him to conduct the negotiations with Friends.

On the issue of the Operating Agreement, Mr. Carvalho promised to press the issues that are important to the School Board now that he has more leverage by being able to appoint the new CFO. Mr. Carvalho also committed to providing the School Board and the Committee with reports of what transpires at Friends Board's meetings, at least for the time while there is transition.

This report was for informational purposes only; therefore, no transmittal to the School Board by the Audit Committee was required.

NEW BUSINESS:

Mr. Salver made an observation expressing his concern and impression that School Board members are involved in Committee's discussions as if they were part of the Audit Committee, noting the exception of the School Board member who is appointed to serve as a member of the Audit Committee. Mr. Salver emphasized that attendance by and questions from School Board members should be welcomed, but they should not participate as if they were Audit Committee members because in his opinion it detracts from the duties and responsibilities of the Committee.

Ms. Hantman expressed agreement with Mr. Salver's observations and his points.

Ms. Regalado was surprised to hear from a Committee member wanting to have less participation from School Board members at their meeting. She believes that it is beneficial to have School Board members attend and participate at these meetings and advocated for more School Board members participation.

Committee Chair Thornburg noted he agreed that Mr. Salver's points were well-taken and the matter should be taken up more fully and requested that the topic be included in the June meeting agenda. He also emphasized the fact that these School Board members do not vote in Committee matters.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Thornburg at 3:41 p.m.

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