

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

May 13, 2014

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, May 13, 2014, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Roland Sanchez-Medina, Jr., Esq., Vice Chair
Dr. Lawrence S. Feldman, School Board Vice Chair
Ms. Marian L. Hasty, Esq.
Mr. Rayfield McGhee, Jr., Esq.
Mr. Benjamin Moscowicz, CFP®
Mr. Christopher Norwood, J.D.
Mr. Jose I. Rasco, CPA
Mr. Isaac Salver, CPA
Mr. Frederick F. Thornburg, Esq.

Members Absent:

Mr. Jeffrey B. Shapiro, Esq., Chair
Ms. Susan Marie Kairalla

Non-Voting:

Dr. Richard H. Hinds, Associate Superintendent/Chief Financial Officer

Call to Order

The ABAC's Vice Chair Mr. Roland Sanchez-Medina acted as Chair, in lieu of ABAC's Chair Mr. Jeffrey B. Shapiro, who could not attend due to prior business commitments. The Vice Chair called the meeting to order at 12:38 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

Mr. Sanchez-Medina requested everyone in attendance to introduce themselves, which they did. The following persons were present:

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| Ms. Perla Tabares Hantman, School Board Chair | Dr. Ana M. Rasco, Assistant Superintendent |
| Dr. Marta Pérez, School Board Member | Ms. Deborah Karcher, Chief Information Officer |
| Ms. Raquel A. Regalado, School Board Member | Mr. Leonardo Fernandez, Treasurer |
| Mr. Walter J. Harvey, Esq., School Board Attorney | Ms. Maria T. Gonzalez, Asst. Chief, School Audits |
| Ms. Milagros R. Fornell, Chief of Staff | Mr. Julio Miranda, Asst. Chief, Investigations |
| Mr. José F. Montes de Oca, Chief Auditor | Mr. Trevor L. Williams, Asst. Chief, District Audits |
| Mrs. Valtena G. Brown, Chief Operating Officer | Ms. Tabitha Fazzino, Administrative Director |
| Ms. Judith Marte, Deputy Chief Financial Officer | Ms. Cynthia Gracia, Administrative Director |
| Ms. Mary T. Cagle, Inspector General | Mr. John Schuster, Administrative Director |
| Ms. Connie Pou, Controller | Mr. Jon Goodman, Executive Audit Director |
| Ms. Mindy McNichols, Asst. School Board Attorney | Mr. Scott B. Clark, Risk Benefits Officer |
| Ms. Iraida Mendez-Cartaya, Assistant Superintendent | Ms. Joyce Castro, District Director |

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| Ms. Tiffanie Pauline, Assistant Superintendent | Ms. Elsa Berrio-Montijo, Administrative Secretary |
| Ms. Meyme Falcone, District Director | Ms. Lucila I. Gonzalez, Administrative Secretary |
| Dr. Lisette Rodriguez, District Supervisor | Ms. Lawandra Houston, Administrative Secretary |
| Mr. Ivo Gomez, Claims Compliance Officer | Ms. Christina Perdomo-Fernandez, Academica |
| Ms. Nicki Brisson, Executive Director | Mr. Edward Baltar, Partner, GLSC & Co. |
| Ms. Denise Landman, Director | Mr. Demetrio Perez, Lincoln Marti |
| Mr. Chris Morgan, Director | Mr. Dexter Lehtinen, Attorney Representing Lincoln Marti |
| Ms. Tamara Wain, Director | Mr. Ralph Arza |
| Mr. Luis Baluja, Supervisor | Mr. Steven Bracy, Board Chair, Mavericks |
| Mr. Jerold Blumstein, Administrative Assistant | Ms. Lauren Hollander, CEO, Mavericks |
| Ms. Jackeline Fals-Chew, Chief of Staff | Mr. Charcos Rumpf, Finance Director, Mavericks |
| Ms. Viviana Jordan, Chief of Staff | Mr. Joseph L Raia, Counsel for Mater Academy |
| Ms. Marisol Marin, Administrative Assistant | Mr. Donovan Maginley, Partner, McGladrey LLP |
| Mr. Evelio Rodriguez, Major | Mr. Anil Harris, Manager, McGladrey LLP |
| Mr. Tom Knigge, OIG, Supervisor Special Agent | Mr. Dan Ricker, Publisher and Editor |
| Ms. Laudelina McDonald, OIG, Asst. Legal Counsel | Mr. David Smiley, The Miami Herald |

The Chair introduced Ms. Mary T. Cagle, the newly appointed Inspector General for Miami-Dade County. The Committee members graciously welcomed Ms. Cagle. She thanked the Committee members and stated that it was a pleasure to be in attendance.

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of March 11, 2014

The Chair drew the members' attention to the minutes for the ABAC meeting of March 11, 2014, and asked whether any members had any suggested revisions or questions related to the contents of the proposed minutes.

With accolades to Mr. Montes de Oca and his staff for very well-written minutes, Mr. Rasco moved and Dr. Feldman seconded the approval of the minutes, as presented, to serve as the memorialization of the March 11, 2014, ABAC meeting. The motion carried unanimously.

3. Approval of the Minutes of the Special School Board Audit and Budget Advisory Committee Meeting of April 22, 2014

The Chair then drew the members' attention to the minutes for the Special ABAC meeting of April 22, 2014, and asked whether any members had any suggested revisions or questions related to the contents of the proposed minutes.

With accolades to Mr. Montes de Oca and his staff for very well-written minutes, Mr. Thornburg moved and Dr. Feldman seconded the approval of the minutes, as presented, to serve as the memorialization of the April 22, 2014, Special ABAC meeting. The motion carried unanimously.

EXTERNAL AUDITS:

4. The School Board of Miami-Dade County, Florida Audit Plan and SAS 114 Communication for the Fiscal Year Ending June 30, 2014

Mr. Donovan Maginley, Engagement Partner, McGladrey LLP, presented the Audit Plan and explained the communication requirements with the School Board members, management and ABAC members related to the audit of the basic financial statements of the School Board of Miami-Dade County for the fiscal year ending June 30, 2014. Mr. Maginley gave an overview of management's responsibilities, explained the engagement timetable and pointed out areas of emphasis, especially pertaining to Risk Management. Mr. Maginley reassured the School Board and Committee members present that they will maintain strong independence during this audit and committed to issuing the reports accurately and in a timely manner.

There were no questions. A motion was made by Mr. Salver, seconded by Mr. McGhee, which carried unanimously, to recommend that the **The School Board of Miami-Dade County, Florida Audit Plan and SAS 114 Communication for the Fiscal Year Ending June 30, 2014** be received and filed by the School Board.

5. Financial Statements on Educational Facilities Impact Fees Agency funds of Miami-Dade County, Florida as of September 30, 2013

The Chief Auditor introduced the above-referenced report and stated that pursuant to the Interlocal Agreement between the School Board and Miami-Dade County, a certified annual report of the County's Educational Facilities Impact Fees Agency funds was received from the County for the 2012-13 fiscal year. He noted that there are no findings in this report and yielded the floor to Mr. Leonardo Fernandez, Treasurer, to entertain any questions from the Committee.

There were no questions. A motion was made by Dr. Feldman, seconded by Mr. Rasco, which carried unanimously, to recommend that the **Financial Statements on Educational Facilities Impact Fees Agency funds of Miami-Dade County, Florida as of September 30, 2013** be received and filed by the School Board.

6. Miami-Dade County District School Board Financial and Federal Single Audit for the Fiscal Year Ended June 30, 2013 (ITEM WITHDRAWN)

The Chief Auditor explained that for the first time since fiscal year 2003-2004, there has not been a Single Audit without findings and because the Superintendent could not attend this meeting he had requested and the Committee Chair had agreed to postpone the presentation of this report until the next ABAC meeting, in order to allow Mr. Carvalho to recognize his staff for an outstanding job.

The Committee unanimously agreed to table this item until the next regular ABAC meeting.

7. Financial Statements of The Foundation for New Education Initiatives, Inc. for the year ended June 30, 2013

The Chief Auditor introduced the above-referenced report which had no findings and yielded the floor to Ms. Iraida Mendez-Cartaya, Assistant Superintendent, Intergovernmental Affairs, Grants Administration, and Community Services, to entertain any questions from the Committee.

There were no questions. A motion was made by Dr. Feldman, seconded by Mr. Moskowicz, which carried unanimously, to recommend that the **Financial Statements of The Foundation for New Education Initiatives, Inc. for the year ended June 30, 2013** be received and filed by the School Board.

8. Monthly financial Report Unaudited – For the Period Ending March 2014

The Chief Auditor introduced the above-referenced report and explained that this report is for the period ending March 2014, and was approved by the School Board at its May 2014 meeting. He then yielded the floor to Ms. Connie Pou, Controller, to entertain any questions from the Committee.

Mr. Thornburg gave accolades for the satisfactorily turnaround on self-insurance program last year but expressed concerns about the spread of \$2 million, between revenues of \$16 million and expenditures of \$14 million, being too low.

Dr. Richard H. Hinds, Associate Superintendent/Chief Financial Officer, shared Mr. Thornburg's concerns and pointed out to the Committee that every M-DCPS employee, based on his/her needs, contributes a certain amount of premium to the self-insurance program which is funded based on analyses developed by Cigna Actuary and Aon Hewitt Actuary. He explained that although the District has the desire to make the program more financially viable, it has had to provide some salary increases, pursuant to negotiations with the various employee bargaining units, which impact the amount that can be otherwise directed to the program. Dr. Hinds pointed out that medical fraud is a major component of the healthcare cost nationwide, which severely impacts this program, too.

Mr. Scott B. Clark added that they have made significant changes to the self-insurance program effective January 2014, whereby the majority of the employees are now contributing for employee-only coverage. He announced that a Request for Proposals (RFP) for the entire administration of the program will be issued for the upcoming year, in January 2015. An agenda item will be submitted for School Board approval at its meeting of June 18, 2014, seeking competitive proposals for the administrative component, excess insurance, stop loss and the flexible components. He pointed out that in March 2014, a two-hour workshop was provided to the School Board outlining a comprehensive analysis of a three to five year strategic plan that will provide an outlook of what is currently in the program.

Mr. Thornburg asked Mr. Clark if he feels comfortable with the net projected reserve of \$10 million at the end of year. Mr. Clark responded in the affirmative. Mr. Thornburg remarked that it is a great improvement from last year.

Dr. Feldman noted that at the aforementioned two-hour workshop, there were various questions and suggestions from School Board members to be followed up with the Risk Management Department and he is confident that once the questions are addressed and the suggestions considered, the District will be heading in the right direction.

There were no further discussions. This report was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

9. Presentation of 16 of 120 Charter Schools' Audited Financial Statements FYE June 30, 2013

9(a) Transfers of \$7.4 Million by four Mater Academy Schools are Not Transparent

The Chief Auditor introduced the above-referenced subject and explained that the information that was requested from Mater Academy, Inc. regarding the transfers of \$7.4 million was not transparent. He stated that the day before, he received an email from counsel representing Mater Academy, Inc. stating that the requested information was not specific. Mr. Montes de Oca pointed out that his office had provided sufficient information to Mater Academy, Inc. of what was needed since February 2014. He expressed that without access to the requested information, he cannot provide the School Board assurances on how the funds were transferred and spent. Going forward, Mr. Montes de Oca asked the Committee's support to transmit the financial statements in question (which are not going to change) to the School Board and welcomed Mater Academy, Inc. to submit the requested information in order to review them and provide the Committee and the School board with an update.

Mr. Joseph Raia, Esq. for Mater Academy, Inc. thanked Mr. Montes de Oca for the invitation to review the information requested and assured everyone present that the transfers were approved by the Board of Mater Academy, Inc. and were used for the development and acquisition of the charter schools' facilities. He is looking forward to meeting with Mr. Montes de Oca to demonstrate that the information requested is in compliance. Mr. Montes de Oca thanked Mr. Raia as well.

There were no questions. A motion was made by Mr. Rasco, seconded by Mr. Moscovicz, which carried unanimously, to recommend that the **Review of Audited Financial Statements of the 4 of 120 Charter Schools Operating during the Fiscal year Ended June 30, 2013** be received and filed by the School Board.

9(b) 12 Charter Schools' Audited Financial Statements Some of Which Presented Various Issues for Discussion

The Chief Auditor introduced the above-referenced subject and stated that after reviewing these financial statements, his office had some questions for which the schools

provided responses which properly addressed the questions and satisfied the concerns. He then requested that the financial statements be transmitted to the School Board.

There were no questions. A motion was made by Mr. Salver, seconded by Mr. Moscovicz, which carried unanimously, to recommend that the **Review of Audited Financial Statements of the 12 of 120 Charter Schools Operating during the Fiscal year Ended June 30, 2013** be received and filed by the School Board.

INTERNAL AUDITS:

10. Internal Audit Report – Selected Schools

The Chief Auditor introduced the above-referenced report, which had no findings and yielded the floor to Ms. Maria T. Gonzalez, Assistant Chief Auditor, to entertain any questions from the Committee.

Dr. Feldman gave accolades to the principals and staff included in the report for a job well done.

There were no questions. A motion was made by Dr. Feldman, seconded by Mr. Thornburg, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools** be received and filed by the School Board.

OTHER REPORTS:

11. Office of Management and Compliance Audits' Activity Report

The Chief Auditor presented the above-referenced report reflecting activities that were completed or begun since the prior ABAC meeting. Mr. Montes de Oca added that he and Ms. Judith Marte, Deputy Chief Finance Officer, along with other Chief Financial Officers from throughout the country, were invited by the Council of Great City Schools the week before to conduct a financial review of the Indianapolis Public Schools and was happy to report that this exercise reaffirmed how well Miami-Dade County Public Schools operates.

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

New Business:

None.

Old Business:

12. Request made by ABAC Member: Legal Opinion – Concurrent Charter Board Membership

At a request made by an ABAC member, Mr. Harvey introduced the above-referenced legal opinion regarding what constitutes a conflict of interest as it relates to charter schools' Governing Board members and welcomed any questions that the Committee may have.

Mr. Norwood asked what are the three prohibitions and how do they relate to Charter Schools since there are sections in the code of ethics that applied to charter schools' Governing Board members. Mr. Harvey gave an overview of Section 112.313(3), of the Florida Statutes, *Doing Business with One's Agency* and Section 112.313(7)(a), *Conflicting Employment or Contractual Relationship*, which explain the prohibitions relating to charter schools and provide for some exemptions. He mentioned that he had conferred with the Commission on Ethics regarding the document being presented and they agreed with its content.

Mr. Norwood explained that he requested the aforementioned information because after reviewing several charter schools' financial statements, he saw related business transactions communicated by an independent CPA and as an ABAC member, he wanted to ensure that Mr. Harvey's opinion regarding exemptions has been vetted.

The Chief Auditor emphasized that whenever a related party financial transaction is detected in his office's review of charter schools' financial statements, there is a follow-up with the entity and usually they are required to submit explanatory documentation.

Mr. Norwood thanked the Chief Auditor, School Board Attorney and Ms. Tiffanie Pauline for their input and stated that he is very confident that staff is doing its due diligence with the specific examples that were presented to him.

There were no further discussions. This information was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

13. Request made by School Board Member: Doral Academy Notice to Parents Regarding Doral College Accreditation Status

The Chief Auditor introduced the above-referenced status and stated that at the last ABAC meeting, members expressed concerns regarding accreditation of Doral College and how students benefit by enrolling in those classes. Mr. Harvey added that subsequent to the last ABAC meeting, he met with District staff to review the notification procedures charter schools use to notify parents and students about accreditation status. Mr. Harvey mentioned that Doral Academy, Inc. did prepare a letter that notified parents and students on the accreditation status of the college and high school.

The Chief Auditor pointed out that in regards to statement made by Mr. Douglas Rodriguez, Principal of Doral Academy that "the information was provided to the audit

department as part of the thousands of pages of document submitted”, he reviewed the documentation in question and there were no such documentation previously submitted by Mr. Rodriguez to the Office of Management and Compliance Audits (OMCA).

Dr. Feldman expressed concern about the letter that was submitted by the school to students and parents as a sample of the notification of non-approved dual enrollment program. He noted that this letter does not include the three criteria which were referenced in a letter sent to the school by the District’s Charter Schools Operations Department (the inability to earn high school credit for these courses; the inability to transfer Doral College credits to other SACS-approved higher education institutions; and the inability to use grades earned through Doral College in the calculation of a student’s high school GPA).

Mr. Harvey confirmed that the information was communicated to the parents by separate correspondence from the school and the school’s website was also changed to indicate notification.

Dr. Feldman stated for the record that when reading the sample information provided by the school, he does not agree that the three criteria were conveyed to students and parents.

Mr. Thornburg asked the School Board Attorney whether based on the information provided, if all three criteria have been communicated. Mr. Harvey responded that the information provided by the school is not worded the way he would have preferred, but the critical element that informs the students and parents that the dual enrollment credit will not be possible through the college, was conveyed. He stated that he will communicate with Doral Academy again, to make sure that Dr. Feldman’s concerns are conveyed.

Mr. McGhee requested that the school provide documentation that reflects the three criteria which Dr. Feldman pointed out. Mr. Harvey agreed to provide the requested documentation by the next regular ABAC meeting.

Dr. Feldman stated that as an elected official his main concern is to look out for students and parents and wants to make sure that when students participate in any school program that the information provided by the school is crystal clear.

There were no further discussions. This information was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

Unfinished Business:

Friends’ of WLRN 990 Forms for 2013

The Chief Auditor explained that Friends’ of WLRN 990 forms for 2013 have not been posted. He mentioned that the forms ultimate deadline for submission is May 15, 2014, and he will continue to check.

In response to Mr. Thornburg's concerns regarding the Friends' of WLRN 990 forms pertaining to the employees' salary increases, the Chief Auditor stated that when the 2013 form becomes available, he will submit via email the last three years of the 990 forms and invite the administration from Friends' of WLRN to attend the upcoming ABAC meeting to discuss the Committee's concerns that were brought up at this meeting. Mr. Montes de Oca reminded everyone present that the salaries with a certain amount of threshold are individually listed in the 990 forms.

There were no further discussions. This information was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

Audit of Keys Gate Charter High School (To Be Determined)

Mr. Montes de Oca noted that at the special ABAC meeting last month, the Committee approved the OMCA to conduct the review of the Miami-Dade County Value Adjustment Board records and he committed not to change the Audit Plan; therefore, the above-referenced audit will probably commence during the summer.

There was no discussion. This information was presented for informational purposes only; therefore, no transmittal to School Board by the ABAC was required.

Adjournment

There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Roland Sanchez-Medina at 1:27 p.m.

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