

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
May 14, 2013**

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The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, May 14, 2013, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

**Voting:**

Mr. Jeffrey B. Shapiro, Esq., Chair  
Dr. Lawrence S. Feldman, School Board Member  
Mr. Roland Sanchez-Medina, Jr., Esq., Vice Chair  
Ms. Susan Marie Kairalla  
Mr. Jose I. Rasco, CPA  
Mr. Frederick F. Thornburg, Esq.  
Ms. Teri Weinstein (Trivizas)

**Members Absent:**

Mr. Mayowa Odusanya, Esq.  
Mr. Rayfield McGhee, Jr., Esq.  
Mr. Benjamin Moscowicz, CFP®  
Mr. Isaac Salver, CPA

**Non-Voting:**

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

**Call to Order**

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The ABAC Chair Mr. Jeffrey Shapiro called the meeting to order at 12:38 p.m. and warmly welcomed everyone in attendance.

**1. Welcome, Introductions and Moment of Reflection**

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

Ms. Perla Tabares Hantman, School Board Chair	Ms. Vivian Santiesteban-Pardo, Region Supt.
Dr. Marta Pérez, School Board Member	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Dr. Daniel Tosado, Chief of Staff	Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs
Mr. Walter J. Harvey, Esq., School Board Attorney	Mr. Trevor L. Williams, Asst. Chief, District Audits
Mr. José F. Montes de Oca, Chief Auditor	Ms. Daisy Naya, Assistant Controller
Mrs. Valtena G. Brown, Chief Operating Officer	Ms. Mindy McNichols, Asst. SB Attorney
Ms. Millie Fornell, Chief Academic Officer	Mr. Scott B. Clark, Risk/Benefits Officer
Ms. Judith Marte, Deputy Chief Financial Officer	Ms. Janice Cruse-Sanchez, Administrative Director
Mr. Luis Garcia, Deputy School Board Attorney	Ms. Cynthia Gracia, Administrative Director
Ms. Connie Pou, Controller	Ms. Ava Goldman, Administrative Director
Mr. Jaime G. Torrens, Chief Facilities Officer	Dr. Ana M. Rasco, Administrative Director
Mr. John Schuster, Chief Communications Officer	Mr. Jon Goodman, Executive Director
Ms. Silvia R. Rojas, Treasurer	Ms. Bernadette Montgomery, Executive Director
Ms. Tiffanie Pauline, Assistant Superintendent	Ms. Beatriz Pereira, Executive Director
Dr. Albert Payne, Jr, Region Superintendent	Ms. Nicki Brisson, Director

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Mr. Christopher Morgan, Director	Ms. Maria E. Delgado, Executive Adm. Secretary
Ms. Tamara Wain, Director	Ms. Corina Betancourt, Community Liaison
Mr. Tom Knigge, OIG, Supervisor Special Agent	Ms. Maria Vezga, Intern
Mr. Mark Teitelbaum, OIG, Auditor	Ms. Elsa Berrios-Montijo, Administrative Assistant
Mr. Evelio Rodriguez, Major	Ms. Lucila I. Gonzalez, Administrative Assistant
Mr. Luis Baluja, Supervisor	Ms. Susana Aguilera, Administrative Secretary
Ms. Rosa Royo, Supervisor Workers' Compensation	Mr. Donovan Maginley, Partner, McGladrey LLP
Dr. Lisette T. Rodriguez, District Supervisor	Mr. Anil Harris, Auditor, McGladrey LLP
Mr. Jorge Davila, Assistant Risk/Benefits Officer	Mr. William Benson, Partner, Keefe, McCullough & Co. CPA
Ms. Jeanette Polynice, Coordinator II	Mr. Ken Haiko, Chair, Renaissance Charter School
Ms. Maria Curbelo, Auditor	Mr. Dennis Clark, Vice Chair, Renaissance Charter School
Ms. Jackeline Fals, Administrative Assistant	Ms. Shari McCartney, Counsel, Renaissance Charter School
Ms. Erzsebet Horvath, Administrative Assistant	Mr. James Earnest, Branch Manager, Gallagher Bassett
Ms. Viviana Jordan, Administrative Assistant	Ms. Stacy Fox, Assistant Controller, Charter Schools USA
Ms. Ana Lara, Administrative Assistant	Mr. Dan Ricker, Publisher and Editor
Ms. Bertha Valcarcel, Administrative Assistant	Mr. David Smiley, Reporter, Miami Herald

The Chief Auditor asked the Chair for a point of privilege and introduced Mr. Flambert Joseph, who is working on a Master's Degree in Forensic Accounting at St. Thomas University and is interning in the Office of Management and Compliance Audits (OMCA) for the summer. The Committee graciously welcomed Mr. Joseph.

On behalf of Dr. Feldman, the Chair extended his condolences to the family of Mr. Clifford Chesson, School Board Administration Building Security Guard, who suddenly passed away. The Chair noted that Mr. Chesson was very well liked and he will be truly missed by the M-DCPS family.

## **2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of March 12, 2013**

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The Chair then drew the members' attention to the minutes for the ABAC meeting of March 12, 2013, and asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes. Mr. Thornburg gave accolades to Mr. Montes de Oca and his staff on very well-written minutes.

Ms. Kairalla requested that the Chief Auditor review and amend the last page of these minutes, because she felt that her statements were not properly reflected.

Dr. Feldman asked if the Department of Human Resources has followed-up with the Internal Fund Accounting Department, as reflected in these minutes to ensure that the test secretary/treasurers are required to take commensurate with their responsibilities. Ms. Kairalla remarked that Dr. Feldman's question refers to the same paragraph she requested be revised. The Chief Auditor committed that he will closely listen to the audio recording of the meeting and revise the minutes with a more robust paragraph, as requested.

A motion was duly made by Mr. Thornburg and seconded by Mr. Rasco to approve the minutes as amended, to serve as the memorialization of the March 12, 2013, Audit and Budget Advisory Committee (ABAC or Committee) meeting. The motion carried unanimously.

**EXTERNAL AUDITS:**

**3. The School Board of Miami-Dade County, Florida Audit Plan and SAS 114 Communication for the Fiscal Year Ending June 30, 2013**

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Mr. Donovan Maginley, Engagement Partner, McGladrey LLP, made a presentation to the Committee to introduce and explain the Audit Plan and communication requirements (with the School Board, 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, 2013. Mr. Maginley explained that the Plan is the roadmap to the audit, which encompasses certain communication requisites, key aspects of the engagement and significant areas of the audit, as well as areas of audit emphasis such as estimates and non-routine transactions. The Plan also identifies the audit engagement team, timelines and the audit deliverables. Mr. Maginley emphasized that a new area added to the plan is the review of construction contracts. He spoke about the implementation of a new applicable Governmental Accounting Standards Board (GASB) Statement 61 – component units i.e. charter schools and GASB Statement 63 – terminology change in terms of financial statements.

Dr. Feldman complimented Mr. Maginley's report and his presentation. Referring to the project management company the School Board plans to hire, Dr. Feldman asked what would be the process to ensure efficiencies. Mr. Maginley responded that in terms of facilities construction, his firm has a staff member who specializes in construction audits and will be reviewing this key subject matter to evaluate efficiencies.

In response to a question by Mr. Rasco regarding what are the audit procedures in place in the audit plan. Mr. Maginley responded that embedded in the audit process they have a classified audit process which is not included in the Plan; but will be disclosed at the end of the audit, when the report is issued.

In response to School Board Member Dr. Marta Pérez's question regarding clarification on who is the point person to direct the construction audit. Mr. Maginley responded that the point person who will direct the construction section of the audit is the Director of McGladrey LLP Consulting Group, and he will be on-site during the audit.

Mr. Thornburg asked if the brainstorming results are done in-house. Mr. Maginley responded in the affirmative and they will be shared with the Committee at the end of the audit.

The Committee members were pleased with the Plan's breadth and depth of coverage; the clarity of its presentation; the use of language and diagrams that make it easily comprehensible; and acknowledged that this was the best audit plan layout the Committee had received from an external auditing firm.

There was no further discussion. A motion was made by Dr. Feldman seconded by Mr. Thornburg which carried unanimously, to recommend that The School Board of Miami-Dade County, Florida Audit Plan and SAS 114 Communication for the Fiscal Year Ending June 30, 2013 be received and filed by the School Board.

#### **4. Financial Statements on Educational Facilities Impact Fees Agency Funds of Miami-Dade County, Florida as of September 30, 2012**

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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 audit report of the County's Educational Facilities Impact Fees Agency Funds was received from the County for the 2011-2012 fiscal year. The report reflected an unqualified (best possible) audit opinion and did not disclose any findings.

Dr. Feldman pointed out that according to the report, the County owed M-DCPS \$5.19 million at September 30, 2013, and asked why and if M-DCPS has received these funds. Ms. Silvia R. Rojas, Treasurer, responded that the funds were received, and explained that the Interlocal Agreement allows for the transmittal of fees on a quarterly basis.

There was no further discussion. A motion was made by Mr. Rasco, seconded by Mr. Thornburg, 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, 2012 be received and filed by the School Board.

#### **5. Monthly Financial Report Unaudited – for the Period Ending January 2013**

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Ms. Connie Pou, Controller, presented the Monthly Financial Report Unaudited – for the Period Ending January 31, 2013, noting that it was approved at the School Board meeting of March 13, 2013, and welcomed questions.

Dr. Feldman asked why there were some large fluctuations of percentages on the report. Ms. Pou responded that depending on the function, the percentage may fluctuate largely at any given period of time. She provided an example on how the Transportation Department shows a huge percentage increase of 46% when compared to the prior year-to-date balance, because buses were purchased during the quarter, but expenditures are on target.

Mr. Thornburg inquired if the Bond Project funds are included in this report. Ms. Pou responded that these funds will be segregated in the Capital Funds report.

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

#### **6. Presentation of the Final 8 of 107 Charter Schools' Audited Financial Statements FYE June 30, 2012**

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The Chief Auditor introduced the audited financial statements of the last eight charter schools out of the 107 that were reviewed for the fiscal year ended June 30, 2012, and yielded the floor to Assistant Chief Auditor Mr. Julio C. Miranda, who entertained questions.

Dr. Feldman commented that he appreciates that the District has the authority to withhold funds when necessary and that the OMCA can conduct audits.

Mr. Thornburg concurred with Dr. Feldman's comments, but following up on comments made regarding denial of capital funds, asked what happens when the District denies capital funds to a charter school based on the review of financial statements and the Florida Department of Education (FDOE) disagrees. The Chief Auditor responded that the School Board can recommend not distributing capital funds to a charter schools due to the school's financial condition, but the FDOE makes the ultimate decision.

Dr. Hinds provided an overview of a situation where the District returned a charter school's Public Education Capital Outlay (PECO) funds earmarked for a charter school to the FDOE, due to the financial instability of the school, but the FDOE reversed the District's decision and ordered the District to distribute the funds to the school.

Ms. Tiffanie Pauline added that some procedures have changed for this upcoming school year and under the new rule, the charter school's evaluations are due in May before the grades and certified audited financials are received by the District. Ms. Pauline noted that prior to this school year, the District had the ability to review the financials and the school grades were announced, prior to evaluating capital outlay plans.

School Board Member Dr. Marta Pérez asked if the School Board has the authority to disagree with the FDOE's mandate on distributing funds to charter schools. Dr. Hinds responded that the School Board has the authority to disagree, but the funds have to be distributed as mandated by the FDOE.

Dr. Feldman remarked that the community expects the School Board to be the overseer of its dollars in a way that is reasonable and lawful and asked what are the School Board's legal options, to take a position that states that the School Board does not accept the decision that the FDOE mandates. Mr. Harvey responded that the statute governing this process does authorize the Commissioner to distribute the PECO funds to charter schools, and these funds come from a separate appropriation over which the School Board has no authority. He noted, however, that the District can request the Commissioner to reconsider the way the rule was promulgated, but warned that legal options are limited.

In response to a solution through legislation, Mr. Harvey responded that the Florida Legislature could amend the statute using input from school districts, but reiterated that at this point, under the current statute, the Commissioner has the ultimate authority to approve the distribution of PECO funds to charter schools.

In response to Ms. Kairalla's suggestion to propose a School Board policy protesting the disbursement of funds to financially unstable charter schools, Ms. Pauline commented that there is a Capital Outlay Online Plan that the District has created to monitor the distribution of these funds and includes language stating that the District is required by law to disburse funds, if so directed, despite any issues.

Dr. Hinds explained that for the second year in a row, the Florida Legislature appropriated no PECO funds to public schools, except for a minimal amount to certain counties, while increasing the appropriation of PECO funds by approximately \$50 million, for a total of \$91 million statewide, for charter schools. Dr. Hinds pointed out that in Miami-Dade County all charter schools' facilities are leased from private third parties; therefore, tax monies go to

private third party leases where the public and the tax payers have no equity in the property. He finds this situation to be very unpleasant and unethical.

Mr. Thornburg suggested that the Committee consider, as an obligation to the tax payers, the possibility of recommending legislative changes.

Mr. Harvey reminded the Committee that District staff has communicated to the FDOE its disagreement with providing PECO funds to financially unstable charter schools and the FDOE acknowledged the District's position, but the FDOE mandated for the District to disburse the funds, anyway.

After extensive discussion, Dr. Feldman recommended that the School Board Attorney review the constitutionality that all public schools are under the jurisdiction of local school boards; the ethical issue related to tax payers' funds being used to pay third party private entities for leasing facilities; and to develop instruments that clearly show the School Board's disagreement with the disbursement of funds against the District's best judgment.

In following up to Dr. Feldman's recommendations, Dr. Tosado committed to incorporating language into the legislative platform of the District's Governmental Affairs Office reflecting the Committee's concerns on distributing funds to financially unstable charter schools for consideration at the next legislative session. In connection with the third suggestion, Dr. Tosado noted that Ms. Pauline's office has already developed language documenting the District's disagreement when being forced to disburse funds to financially unstable charter schools. Therefore, he suggested that the additional action to be taken will be a review of the constitutional and ethical issues, to be conducted by the School Board Attorney and presented as an update to the Committee at its next meeting in June.

Mr. Thornburg moved to accept Dr. Tosado's suggestion, which was seconded by Dr. Feldman and unanimously approved by the Committee members.

There was no further discussion. A motion was made by Mr. Rasco, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Presentation of the Final 8 of 107 Charter Schools' Audited Financial Statements FYE June 30, 2012 be received and filed by the School Board.

## **INTERNAL AUDITS:**

### **7. Internal Audit Report – Selected Schools**

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Ms. Maria T. Gonzalez, Assistant Chief Auditor, presented the Internal Audit Report of Selected Schools to the Committee for discussion. This report summarized the audit results of 48 schools, of which 45 schools had no findings. At the remaining three schools, findings disclosed non-compliance with Full-Time-Equivalent (FTE) reporting and recordkeeping. The report also included corrective actions implemented by the affected principals. She congratulated the principals who had no audit findings for their efforts and welcomed any questions.

Dr. Feldman asked if there is a check and balance system in place related to special education documents that will allow the administration to know when documents are not completed before he/she signs off on them. Ms. Goldman responded that all principals have access to the Special Education-Electronic Management System (SPED-EMS) which provides them with all Individual Educational Plan (IEP) student's information. Ms. Goldman added that quarterly, she provides a list of all IEPs that are about to expire or have expired, so that the principals can work with their staff to correct any issues that need to be remedied.

In response to another question regarding concerns with the student's queue done electronically, Ms. Goldman explained that all IEP students are online in the SPED-EMS; and there are supplementary documents which are part of the student's queue. Ms. Gonzalez added that although we have a system in place, as explained by Ms. Goldman, there is some paperwork required by the Auditor General that has to be in place in the student's folder.

In regards to the "Money Matters" Program, Dr. Feldman asked if all new principals and assistant principals are trained through this program. Ms. Brown responded that they are revamping all the Professional Development (PD) for all administrators including "Money Matters" and they are making sure that it is up-to-date with legislative statutes requirements. Ms. Gonzalez added that as part of the PD, she and the Chief Auditor will meet with all principals to share best practices.

There was no further discussion. A motion was made by Mr. Sanchez-Medina, seconded by Dr. Feldman, which carried unanimously, to recommend that the Internal Audit Report – Selected Schools be received and filed by the School Board.

## **8. Status of Investigation of Services Invoiced by Maxim Healthcare, Inc.**

The Chief Auditor informed the Committee that this item relates to an on-going investigation, of which a lot of information has been shared with the vendor, while seeking reimbursement. He felt that the Committee, School Board Members and the Superintendent should be apprised of what has transpired because of the possibility of the vendor divulging the information. He cautioned everyone present that he will entertain any questions but his answers may have to be guarded due to the on-going investigation. The Chair concurred with the Chief Auditor's statement.

Mr. Thornburg asked if the District includes "the right to audit" clause in all the contracts with vendors. Mr. Harvey responded in the affirmative and stated that the language is also provided in the RFP solicitations.

In response to a question regarding adequate internal controls over monitoring payments, the Chief Auditor responded that the Superintendent requested the investigation as the result of an internal review of the records. He cautioned the Committee not to discuss this matter further because the investigation is still on-going.

Dr. Tosado stated that he is comfortable with the internal controls in place for the type of situation that is being discussed, without going into more details, and would like to defer a more encompassing response until the investigation is completed.

Mr. Rasco asked if these services were procured through an RFP. The Chief Auditor responded in the affirmative.

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

## **9. Miami-Dade County Public Schools Casualty Claims Administration Services – Performance Review**

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Mr. Scott B. Clark provided an overall updated report on the casualty claims administration services audits that were performed pursuant to the claims administration contract with Gallagher Bassett Services. Mr. Clark emphasized that the claims audits were performed by the District's Risk Management Consultant, Siver Insurance Consulting firm and covered five six-month periods spanning from July 2010 to December 2012. The hospital/medical bills audits were performed by Maddy Bowling & Associates Consulting, Inc. and covered the last three quarters of 2012. He then welcomed any questions.

There were a few questions to which Mr. Clark clearly responded. This report was presented for informational purposes only; therefore, no transmittal to the School Board by the ABAC was required.

## **10. Proposed Amendment of School Board Policy: Initial Reading: Policy 6840, Audit and Budget Advisory Committee**

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The Chief Auditor introduced the proposed amendment to School Board Policy 6840, *Audit and Budget Advisory Committee*, which was approved, as initial reading, at the School Board meeting of April 17, 2013. Mr. Montes de Oca explained that the amendment was intended to codify the School Board members' willing participation along with ABAC members, in his annual evaluation.

Ms. Kairalla expressed concern with the proposed language and questioned why this language is included in the ABAC Policy. She also objected to the term "in conjunction with", because as an independent body the ABAC does not do anything in conjunction with School Board members. She remarked that the Committee's independence is very important to her and the language "in conjunction with" compromises that independence.

The Chief Auditor explained that since he reports directly to the School Board, he thought that it would be prudent to also allow the School Board members to partake in his evaluation.

Mr. Thornburg acknowledged that although he is in favor of the Chief Auditor reporting directly to the School Board, he would like to have the Chief Auditor report jointly to the Committee as the position did before, to try to keep indicia of independence for the public.

In regards to the School Board policy in question, Dr. Feldman offered to bring up these concerns to the upcoming School Board Committee meeting to the attention of other School Board members for discussion.

For clarification, the Chair pointed out that Ms. Kairalla's emphasis on this matter is the independence of the Committee.

School Board Chair Ms. Perla Tabares Hantman explained that this policy was brought up by a School Board member through initial reading and passed unanimously at the March 2013 School Board meeting and that the Chief Auditor brought it to this Committee for informational purposes only.

Ms. Kairalla pointed out that the amendment was never brought to this Committee for review pursuant to the Committee's School Board policy 6840.

In response to Ms. Kairalla's concern, Mr. Harvey stated that he can provide a written response to this issue, but he offered his oral opinion. He expressed concurrence with Ms. Hantman's explanation on how this policy was processed. He asserted that the School Board is charged statutorily as well as constitutionally with promulgating policies for the District and the School Board is exercising the authority with regards to the language being proposed to acknowledge that the School Board members evaluate the Chief Auditor as well.

Ms. Kairalla reiterated that she has no concerns with the School Board evaluating the Chief Auditor but has a concern in amending a School Board policy without the Committee's input pursuant to the School Board policy 6840 statement.

Ms. Hantman commented that the way she understood the word "in conjunction with" is for the Committee as well as the School Board to evaluate the Chief Auditor and said that if the word is an issue, she will convey the Committee's concerns at the School Board committee meeting. She reminded everyone present that the item went to initial reading and any amendment to a School Board policy is recommended during initial reading and that the policy will be up for final reading at the upcoming School Board meeting, where the language is seldom changed.

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

## **11. Office of Management and Compliance Audits' Activity Report**

The Chief Auditor introduced the above-referenced report and pointed out that a preliminary report was done regarding the Request For Qualifications and a contract to provide management support services to the District on the General Obligations Bond Program and mentioned that he intends to further discuss with the Superintendent a more intensive review of the contract.

Mr. Thornburg asked if the proposed annual audit of the School Board includes a review of the contract that will enter with the program management company. Mr. Donovan responded in the affirmative.

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

**NEW BUSINESS**

No discussions.

**OLD BUSINESS**

No discussions.

**Adjournment**

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There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Shapiro at 1:59 p.m.

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