

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

June 26, 2012

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, June 26, 2012 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 Feldman, School Board Vice Chair
Ms. Susan Marie Kairalla
Mr. Roland Sanchez-Medina, Jr., Esq.
Mr. Rayfield McGhee, Jr., Esq.
Mr. Isaac Salver, CPA
Mr. Frederick F. Thornburg, Esq.

Members Absent:

Mr. Jose I. Rasco, CPA
Mr. Mayowa Odusanya, Esq.

Non-Voting:

Dr. Richard H. Hinds, Associate Supt./CFO

Call to Order

The ABAC Chair Jeffrey Shapiro called the meeting to order at 12:33 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions, and Moment of Reflection

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

Ms. Perla Tabares Hantman, School Board Chair	Ms. Debbie Karcher, Chief Information Officer
Ms. Raquel Regalado, School Board Member	Mr. Scott Clark, Risk/Benefits Officer
Mr. Alberto M. Carvalho, Superintendent of Schools	Ms. Silvia Rojas, Treasurer
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Mindy McNichols, Asst. SB Attorney
Mr. Freddie Woodson, Deputy Superintendent	Ms. Valtena G. Brown, Region Superintendent
Dr. Helen S. Blanch, Assistant Superintendent	Ms. Carmen Marinelli, Region Superintendent
Mr. Gerald Kitchell, Acting Chief	Ms. Cynthia Gracia, Administrative Director
Ms. Judith Marte, Chief Budget Officer	Ms. Janice Cruse-Sanchez, Administrative Director
Mr. Jose F. Montes de Oca, Chief Auditor	Ms. Martha Montiel, Administrative Director
Ms. Connie Pou, Controller	Ms. Tiffanie Pauline, Administrative Director
Ms. Daisy Naya, Assistant Controller	Dr. Ana M. Rasco, Administrative Director
Mr. Jaime G. Torrens, Chief Facilities Officer	Mr. Javier Perez, Executive Director
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Ms. Beatriz Pereira, Executive Director
Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs	Mr. Eric Ojeda, Executive Director
Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits	Mr. Jon Goodman, Director

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Ms. Tamara Wain, Director
Mr. Evelio Rodriguez, Major
Mr. James O'Donnell, Chief Security Officer
Mr. Tom Knigge, OIG, Special Agent
Mr. Luis Baluja, Supervisor
Ms. Teresita Rodriguez, Auditor
Ms. Chris Sachtlebev, Sr. Project Manager
Ms. Corina Bethencourt, Administrative Assistant
Ms. Erzsebet Horvath, Administrative Assistant
Ms. Ana Lara, Administrative Assistant
Ms. Carmen Naumann, Administrative Assistant
Ms. Dalia Rosales, Administrative Assistant
Ms. Bertha Valcarcel, Administrative Assistant
Ms. Elsie Berrios-Montijo, Administrative Secretary
Ms. Lucila Gonzalez, Administrative Secretary
Ms. Llewellyn Sterling, Intern, Board Members Office
Ms. Annie Hernandez, Intern, Board Members Office

Ms. Mily Lopez, Grant Megreen Inc.
Mr. Donovan Maginley, Partner, McGladrey & PullenLLP
Mr. Jorge Suarez, Principal, A&M
Mr. Manuel Alonso-Poch, Business Mgr., A&M
Mr. Frank Attkisson, Consultant, A&M
Mr. Carlos M. Hernandez, Parent, A&M
Mr. Scott Hiaasen, Miami Herald
Mr. Dan Ricker, Publisher and Editor

There was a moment of reflection.

2. Approval of the Minutes of the Audit and Budget Advisory Committee meeting of May 15, 2012

The Chair drew the members' attention to the minutes for the ABAC meeting of May 15, 2012 and asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes. There was a minor correction made to the minutes, which was then accepted by the members.

A motion was duly made by Mr. Salver and seconded by Mr. Sanchez-Medina to approve the minutes, with the correction noted, to serve as the memorialization of the May 15, 2012 meeting of the Audit and Budget Advisory Committee. The motion carried unanimously.

3. Proposed Audit and Budget Advisory Committee Meeting Dates for Fiscal Year 2012-2013

Mr. Montes de Oca presented the proposed dates for the Audit and Budget Advisory Committee meetings for approval. A comment was made to possibly change the September 25, 2012 date which is the same date of Jewish Holiday (yom kippur). All dates were approved as proposed except for the September 2012 meeting, for which the ABAC will be polled. (After polling these members, September 11, 2012 was unanimously selected as the preferred date).

4. Evaluation of External Auditors for the Audit of the Fiscal Year Ended June 30, 2011 Evaluation of the Internal Audit Team Fiscal Year Ending June 30, 2012

Mr. Montes de Oca introduced the survey and noted that all the respondents were very pleased by all the services rendered by the external auditors.

Referring to the Chief Auditor's evaluation, Ms. Hantman observed that a comment made by an ABAC member was not germane to the performance of his duties. After a brief discussion among the Committee members, the maker of the comment proposed and the Committee agreed to strike the comment from the record.

A motion was made by Mr. Thornburg, seconded Ms. Kairalla, by which carried, to strike the comment from the record. Mr. Salver opposed the motion. During the ABAC meeting of September 11, 2012, Mr. Thornburg asked and the Committee members approved, that these minutes reflect that his motion was made out of respect for Ms. Hantman's observation.

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

5. Office of Management and Compliance Audits Proposed 2012-13 Audit Plan and Tentative Budget

Mr. Montes de Oca presented the 2012 Annual Report, which included the 2012-2013 Annual Audit Plan and Budget from the Office of Management and Compliance Audits (OMCA). He explained that customarily he seeks feedback from all stakeholders of the plan which include School Board members, ABAC members, as well as District administration. Mr. Montes de Oca welcomed the input, but cautioned that if new audits are added, some of the proposed audits need to be deleted from the plan, because given the size of his staff, additional audits cannot be done during the coming year. He explained that a summary of activities for the year that just closed will be brought back to the Committee in September, along with a finalized plan for the 2012-13 fiscal year, for final approval.

Mr. Montes de Oca addressed several questions related to the proposed plan.

The Committee received the proposal with favorable comments and accolades.

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

PRESENTATION:

6. Status of 2012-13 Budget Preparation for the General Fund and Capital Outlay Fund

Mr. Montes de Oca recognized Ms. Judith Marte, Chief Budget Officer for receiving the 2011 Distinguished Budget Presentation Award by GFOA. Ms. Marte thanked Mr. Montes de Oca for recognizing her and she acknowledged her staff.

There were several questions posed by members of the Committee on the presentation, which were satisfactorily addressed by the administration.

Mr. Thornburg gave accolades to Dr. Hinds, Ms. Marte and the entire administration for the preparation of the budget, noting that there are more challenges than there are opportunities.

The Superintendent thanked Mr. Thornburg for his accolades and observed that the current national climate is not favorable for government and public educational entities to be properly funded. This lack of proper funding, he noted, is even more acute in the capital segment with the Florida Legislature. Therefore, Mr. Carvalho declared, he will be developing home grown solutions to this challenge and bringing the proposals to the School Board over the next few months.

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

EXTERNAL AUDITS:

7. Monthly Financial Report Unaudited – For the Period Ending April 2012

Mr. Montes de Oca recognized the Office of the Controller for receiving an International Award Certificate of Excellence in Reporting for the 26th consecutive year. Ms. Connie Pou, Controller, thanked the committee for the recognition and happily acknowledged her staff.

Ms. Pou introduced the report and noted that it had been approved by the School Board at its June 13, 2012 meeting.

There were no questions posed.

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

INTERNAL AUDITS:

8. Investigation of Allegations Concerning Academy of Arts and Minds Charter High School

The Committee discussed the above mentioned report which was prompted by a written complaint from a group of the school's parents and its conduct was authorized by the ABAC and the School Board.

The investigation found the four fundamental allegations referenced in the complaint to be largely substantiated, and the report had seven recommendations. The ABAC members had numerous questions and comments about the report. Several members pondered the appropriate course of action for the Committee to follow, and one asked if the report recommended or supported the termination of the charter. The Chief Auditor replied in the negative as to the suggestion of charter termination proceedings based on this report, and asked for the report and its recommendations to be endorsed by the Committee and transmitted to the School Board. In a similar context, the subjects of whether Ad Valorem taxes should have been paid by the landlord and the status of the School's tax exemption [Section 501(c) 3 of the IRS code] were discussed. One Committee member questioned the benefit and/or appropriateness of the District and/or Audit Department investigating the validity of property tax exemptions claimed and received by the landlord which were referred to the County Property Appraiser's office and resulted in a \$182,000 lien against the landlord. The Chief Auditor explained that in excess of 30% of property taxes collected belong to the School Board.

Mr. Attkisson, a consultant hired by the school, was afforded the opportunity to speak by the Chair of the Committee. Although he agreed with the five recommendations primarily directed to the school and proffered numerous corrective actions, overall he was critical about the manner in which the findings were presented in the report. After the consultant addressed the Committee, the Chief Auditor stated that he stood by the report, its findings and recommendations.

After a lengthy discussion a motion was made by Mr. Thornburg seconded by Dr. Feldman, which carried unanimously, to recommend that the report be forwarded to the School Board and that its recommendations be adopted. It was also noted that the report's recommendations were endorsed by the School's representative. Additionally, the School agreed to report back to the ABAC as to the status of implementation of the recommendations pertaining to it (i.e. 1-5) at the ABAC's September meeting. The School Board Attorney was asked by the Committee to interact with the School and receive assistance from the Chief Auditor's Office to proffer an opinion as to whether or not the School has violated any laws.

Later during the meeting, the Superintendent made the observation that a prior speaker had made the allegation that M-DCPS expenditures, for school operations were higher than those for charters and he had asked staff to confirm what he already knew, that these expenditures

are not higher, in fact they are lower. He said he wanted to set the record straight and wished the speaker was still there, but he wanted to obtain confirmation before he spoke.

9. Internal Audit Report – Selected Schools

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits, presented the selected schools audit and indicated that the report includes the audit results of 75 schools of which 59 schools had no audit exceptions. However, she noted that at 16 schools there were exceptions in various areas. She thanked the administration for their support during the year.

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

10. Internal Audit Report – Internal Controls Over the Purchasing Credit Card Program

Mr. Trevor Williams, Assistant Chief Auditor, Operational Audits, briefly introduced the report noting that there were a few internal control issues which were highlighted in the executive summary of the report and opened the floor for questions.

There was some discussion relating to the number of credit cards issued and whether more credit cards should be issued to facilitate the work of the employees in the maintenance department to make it more efficient. The audit staff suggested that issuing more cards will not make it more efficient and that it may create more issues. Ms. Pou noted that resources in her office are very limited and they could not monitor all the additional transactions that will incur with the issuance of more cards.

Dr. Feldman inquired about the procedure of notification when employees change status.

Ms. Pou explained that in the past there was notification of change in status of an employee; however, this was stopped with the transition from the MSA System to the SAP System. Ultimately the new system will allow for an automatic void of credit cards when employees change status.

There was no further discussion. A motion was made by Mr. Sanchez-Medina, seconded by Mr. Thornburg, which carried unanimously, to recommend that the Internal Audit Report – Internal Controls Over the Purchasing Credit Card Program be received and filed by the School Board.

11. Internal Audit Report – Network and Information Security Information Technology Services Infrastructure and Systems Support Area IV – Selected Schools

Mr. Montes de Oca was pleased to announce that no exceptions were noted and congratulated the administration.

Mr. Williams echoed Mr. Montes de Oca's comment.

Ms. Kairalla complimented Ms. Karcher and staff for a well run operation.

The Committee was satisfied with the contents of the report.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Mr. Sanchez-Medina, which carried unanimously, to recommend that the Internal Audit Report – Network and Information Security Information Technology Services Infrastructure and Systems Support Area IV - Selected Schools be received and filed by the School Board.

OTHER REPORTS:

12. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca briefly introduced the report and informed the Committee that as a result of a theft detected by OMCA at a school, the results of which were presented to the ABAC earlier on this year, a check was just received from the District's surety company for \$122,000.

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

NEW BUSINESS

Mr. Salver made a request for staff to share articles that are of interest to the Committee which were discussed at the meeting. In addition, he suggested identifying items on the agenda as to whether they are informational or needing action by the Committee.

Mr. Thornburg also asked to share an article from the Wall Street Journal relating to six crucial education issues, which was circulated to the Committee.

OLD BUSINESS

Ms. Kairalla reminded the Committee about the events that the ABAC was involved with that resuscitated the Minority Business Advisory Committee, which has become a stronger and more complex committee and she promised that as soon as they have a final report she will share it with the Committee.

Adjournment

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 2:58 p.m.

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