

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
January 27, 2015**

The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, January 27, 2015, 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., Chair
Mr. Rayfield McGhee, Jr., Esq., Vice Chair
Mr. Stephen Korn, CPA
Mr. Nestor Caballero, CPA MST CGAP
Mr. Joseph Gebara, PTSA/PTA President
Ms. Marian L. Hasty, Esq.
Ms. Susan Marie Kairalla
Mr. Christopher Norwood, J.D.
Ms. Raquel Regalado, School Board Member

Members Absent:

Dr. Lawrence S. Feldman, School Board Vice Chair
Mr. Jose I. Rasco, CPA
Mr. Isaac Salver, CPA
Ms. Laurie Wynn, CIMA®

Non-Voting:

Mrs. Judith M. Marte, Chief Financial Officer

Call to Order

The ABAC's Chair Mr. Roland Sanchez-Medina called the meeting to order at 12:35 p.m. and warmly welcomed everyone in attendance.

1. Welcome, Introductions and Moment of Reflection

The Chair requested all in attendance to introduce themselves, which they did. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Mr. Steffond Cone, Assistant Superintendent
Dr. Marta Pérez, School Board Member	Ms. Connie Pou, Controller
Mr. Alberto M. Carvalho, Superintendent of Schools	Ms. Mindy McNichols, Asst. School Board Attorney
Mr. Walter J. Harvey, School Board Attorney	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Jose Dotres, Chief of Staff	Mr. Julio Miranda, Asst. Chief, Investigations
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer	Mr. Trevor L. Williams, Asst. Chief, District Audits
Ms. Daisy Gonzalez-Diego, Chief Communications Offr.	Mr. Leonardo Fernandez, Treasurer
Mr. José F. Montes de Oca, Chief Auditor	Ms. Daisy Naya, Assistant Controller
Mr. Luis Garcia, Deputy School Board Attorney	Ms. Vivian M. Santiesteban-Pardo, Region Supt.
Dr. Pablo G. Ortiz, Associate Superintendent	Ms. Melba Brito, Administrative Director
Ms. Tiffanie Pauline, Assistant Superintendent	Ms. Joyce Castro, Administrative Director
Dr. Ana M. Rasco, Assistant Superintendent	Ms. Tabitha Fazzino, Administrative Director

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Ms. Cynthia Gracia, Administrative Director
Mr. Jon Goodman, Executive Audit Director
Ms. Tamara Wain, Director
Mr. Christopher Morgan, Director
Mr. Luis Baluja, Supervisor
Ms. Maria Curbelo, Audit Coordinator
Ms. Jackeline Fals, Chief of Staff
Ms. Ana Lara, Administrative Assistant
Ms. Maria Teresa Rojas, Administrative Assistant
Ms. Dalia Rosales, Administrative Assistant
Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Lucila I. Gonzalez, Administrative Secretary
Ms. Lawandra Houston, Administrative Secretary

Mr. Felix Jimenez, Assistant Inspector General
Mr. Thomas Knigge, OIG, Supervisor Special Agent
Ms. Christina Perdomo-Fernandez, Academica
Mr. Donovan Maginley, Partner, McGladrey LLP
Mr. Anil Harris, Manager, McGladrey LLP
Ms. Cathy Jackson, Miami-Dade County
Ms. Sheila Salters, Miami-Dade County
Ms. Cristina Veiga, Miami Herald, Reporter
Mr. Carlos Gonzalez, Principal, HIVE Prep
Mr. Javier Lopez, HIVE Prep, Accountant,

The Chair gave his condolences to ABAC Member Mr. McGhee for the recent passing of his mother and noted that our prayers are with him and his family.

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of December 16, 2014

The Chair drew the members' attention to the minutes for the ABAC meeting of December 16, 2014, and asked whether any members had any suggested revisions or questions related to the contents of the proposed minutes.

Ms. Regalado moved and Ms. Hasty seconded the approval of the minutes, as presented, to serve as the memorialization of the December 16, 2014, ABAC meeting. The motion carried unanimously.

INTERNAL AUDITS:

3. Internal Audit Report – Selected Schools/Centers

The Chief Auditor introduced the above-referenced report and yielded the floor to Ms. Maria T. Gonzalez, Assistant Chief Auditor, for the presentation.

Ms. Gonzalez reported the audit results of 30 schools/centers for one or two year audit periods. She observed that out of the 30 schools, four had audit exceptions which includes a misappropriation at one of the schools that is being handled in conjunction with the State Attorney's Office. In addition, she noted that property results for most schools/centers were satisfactory. She welcomed questions.

Superintendent Carvalho, alluding to the prior presentation of the Single Audit, commented that the administration is equally cautious with large and smaller expenditures in this case the schools' internal funds. He strongly stated that at the schools when there have been instances of deficiencies of management and/or perpetration of fraud action is taken by demotion or termination.

There were no further comments. A motion was made by Ms. Regalado, seconded by Ms. Hasty, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers** be received and filed by the School Board.

EXTERNAL AUDITS:

4. The School Board of Miami-Dade County, Florida Single Audit Report, Fiscal Year Ended June 30, 2014

Mr. Montes de Oca introduced the above-referenced report and pointed out that for the first time ever the District has received single audits, from different auditors, without any findings two years in a row. He complimented Mrs. Judith M. Marte, Ms. Iraida Mendez-Cartaya and Ms. Connie Pou, along with their respective staffs, for this unparalleled accomplishment.

Mr. Donovan Maginley, Partner, McGladrey LLP, presented the results of the Single Audit and explained that this document comprises the Independent Auditor's reports on internal control over financial reporting and other matters related to the audit of the District's financial statements and on the District's compliance with requirements related to major federal programs. He noted that for the year ended June 30, 2014, the District reported more than \$500 million in federal award expenditures. Mr. Maginley explained that the report contains an unmodified opinion regarding the District's internal controls over financial reporting and non-compliance. He observed that a prior condition of non-compliance related to the District's capital assets - specifically construction in progress (CIP) - was materially adjusted in the government-wide statements. This was done to properly state the CIP balance at year-end. He also pointed out that this prior finding has been corrected.

Superintendent Carvalho also complimented the staff noting that the audit encompassed expenditures of more than \$500 million and having no findings is something almost impossible to achieve.

There were no further comments. A motion was made by Mr. McGhee, seconded by Ms. Regalado, which carried unanimously, to recommend that the **The School Board of Miami-Dade County, Florida Single Audit Report, Fiscal Year Ended June 30, 2014** be received and filed by the School Board.

5. Monthly Financial Report Unaudited – for the Period Ending November 2014

Mr. Montes de Oca introduced the Monthly Financial Report Unaudited for the Period Ending November 2014 and explained that these reports are presented at every committee meeting to keep the Committee apprised as to how the District is doing.

Mrs. Judith M. Marte, Chief Financial Officer, stated that the November report has no variances of note and referred any questions to Ms. Connie Pou.

The Superintendent gave accolades to Ms. Marte for her intuition and intellect and thanked the School Board for the approval of the reorganization that elevated Mrs. Marte to the position of Chief Financial Officer. He explained that six years ago the personnel expenditures projections were out of control and resulting in overspending millions of dollars every single year. He noted that all the budget projections, in particularly the personnel expenditures projections, are now in order, but the biggest liability that the District continues to experience is the tax collection shortfall. Mr. Carvalho emphasized that the School Board is under a constitutional mandate to provide an equitable educational program which is driven by equal funding to all citizens in the State of Florida. He declared that the School Board should not be put in a position to have to tighten the belt every year and pointed out that although the District has lost \$200 million dollars of potential funding over the past few years, due to the shortfall reserves were increased substantially. He proudly announced that he met with the Dade Delegation, which has unanimously approved the legislative platform of M-DCPS that includes legislative solutions for the loop holes identified in the Value Adjustment Board hearings process.

The Chair thanked the Superintendent for keeping the Committee abreast on this topic.

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

6. Presentation of 33 of 126 Charter Schools' Audited Financial Statements FYE June 30, 2014

The Chief Auditor provided information on the audited financial statements of 33 charter schools for the year ended June 30, 2014. According to the OMCA's review, 17 of these charter schools statements were free of significant fiscal concerns. For another 15 statements which contained no major audit findings and provided all requested items to OMCA, there are still some concerns relating to numerous long-term non-interest bearing loans that were made. In addition, one charter school had a management letter finding from its external audit firm relating to not having a tax exempt status. Mr. Montes de Oca noted that the school's management and external auditor were invited to the meeting and were present for questions.

There were no questions. A motion was made by Ms. Hasty, seconded by Mr. McGhee, which carried unanimously, to recommend that the **Presentation of 33 of 126 Charter Schools' Audited Financial Statements FYE June 30, 2014** be received and filed by the School Board.

OTHER REPORTS:

7. Office of Management and Compliance Audits' Activity Report

The Chief Auditor presented the Office of Management and Compliance Audits' Activity Report, and stated that it outlines what has transpired since the last ABAC meeting and welcomed any questions.

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

8. Results of the Peer Review of the Miami-Dade County Public Schools – Office of Management and Compliance Audits (OMCA)

Mr. Montes de Oca introduced the above-referenced report and explained that at the last Audit and Budget Advisory Committee meeting he introduced the members of the Peer Review team from the Association of Local Government Auditors (ALGA) which conducted the review of OMCA.

Mr. Montes de Oca was pleased to report that based on the results of the extensive review of the procedures and records, the Miami-Dade County Public Schools Office of Management and Compliance Audits has complied with every single solitary requirement of the profession while conducting their audits.

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

9. Litigation Filed By United Teachers of Dade (School Board Agenda Item H-13)

Mr. Montes de Oca introduced the above-referenced subject and pointed out that this item included issues surrounding the Value Adjustment Board (VAB), a topic in which this Committee had expressed concerns.

Ms. Regalado as the sponsor of the item, first thanked the School Board members present for the support provided at the School Board meeting and then explained the intent of the item, which is basically to eliminate the multimillion shortfall that has impacted the School

District for several years. She referred to some comments made by Miami-Dade County Mayor Gimenez over the weekend where he changed his story stating that the revenue issue is the District's fault because of poor budgeting and that there is no issue at the VAB. Shockingly, she stated, during this two-year process that was not the representations made to the District, noting that clearly there are serious issues with the VAB. More concerning, she noted, was the other comment made by Mayor Gimenez about the backlog issue being resolved in May 2015. She then asked Mrs. Marte to explain the dramatic impact to the District of the backlog issue.

Mrs. Marte noted that last year the Superintendent pressed Miami-Dade County to develop a committee to resolve this issue. She then explained that the comments made by Mayor Gimenez are conflicting to the representation made at these meetings, where representatives from the County stated that they are hopeful the backlog would be eliminated by May 2016. In her opinion, based on their past practice, the number of appeals still open and their lack of leadership, they will not make their deadline. In addition, Mrs. Marte stated that the other end of the problem lies with the initial role being significantly over valued. However, if the county satisfies their commitment that this year the role will be closer to what the State expects, then that will mitigate some problems at the front end but again, based on their past practices they have not delivered.

The Superintendent thanked Ms. Regalado for bringing this issue to light and also acknowledged the County's offices of the tax collector, property appraiser and budget management for their assistance in resolving this issue, which it still continues to be a huge problem for M-DCPS.

Ms. Regalado expressed concern about the amount of time and resources that continue to be spent in resolving an issue that is not the responsibility of the School District, but that the entities responsible for a solution are unable or unwilling to resolve. She is looking forward to the audit report and asked Mr. Montes de Oca for the status of the audit of the VAB appeal process.

Mr. Montes de Oca responded that the audit will be presented at the March 10, 2015, ABAC meeting.

Mr. Norwood complimented the school district administration, the School Board and the Superintendent for the awareness to the community on this issue and asked whether any changes have occurred at the County since the issues at hand have been raised.

Responding to Mr. Norwood's inquiry, Ms. Regalado noted that nothing has changed at the County and stated that at the last School Board meeting, she was named to represent the Board at the VAB. She explained that the VAB is comprised of five members and meets twice a year.

In addition, Mr. Carvalho noted that aside from Ms. Hantman appointing Ms. Regalado to the Value Adjustment Board (VAB), in terms of rules and practices, nothing has changed.

Mr. Norwood stated that while he understands the issues with the VAB he asked if the proposed litigation filed by UTD will give clarity as to whom is responsible.

Ms. Regalado responded in the affirmative and explained that this litigation would be the tool used to resolve this issue in determining who is accountable.

Ms. Hantman expressed her frustration with the process and the amount of time that has transpired without a solution still at hand, noting that ultimately the students of the county are the ones that suffer the most. She thanked Ms. Regalado for her efforts and feels that Ms. Regalado is the ideal person to be a member of the VAB because she understands the issues.

Mr. Carvalho concurred with Ms. Hantman's comments.

Mr. Sanchez-Medina concluded the meeting by noting that having the opportunity to work with Mr. Montes de Oca and his staff has made him aware of their highly professional demeanor and profound integrity. He also thanked the committee members for their hard work.

New Business:

None.

Old Business:

None.

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 1:21 p.m.

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