

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
February 5, 2019**

The School Board Audit and Budget Advisory Committee (ABAC or Committee) met on Tuesday, February 5, 2019, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Erick Wendelken, CPA, Chair
Mr. Christopher Norwood, J.D., Vice Chair
Mr. Jeffrey Codallo
Mr. Stephen Hunter Johnson, Esq.
Mr. Jeffrey Kaufman
Dr. Nancy Lawther, PTA/PTSA President
Mr. Albert D. Lopez, CPA
Mr. Julio C. Miranda, CPA, CFE
Ms. Connie Pou, CPA (Alternate ABAC member)
Mr. Rudy Rodriguez, CPA
Ms. Mari Tere Rojas, School Board Member
Mr. Isaac Salver, CPA

Members Absent:

Mr. Juan del Busto

Non-Voting:

Mr. Ron Steiger, Chief Financial Officer

Call to Order

The ABAC Chair, Mr. Erick Wendelken called the meeting to order at 12:35 p.m.

At the commencement of the meeting, before introductions, Ms. Connie Pou, former Controller of the District was introduced. Although she recently retired, she has returned to the District to serve as alternate ABAC member representing the Superintendent¹. Ms. Pou stated "It's good to be home. After 30 years, you feel this is home." The Committee was pleased that she had joined the membership and acknowledged Ms. Pou with great enjoyment and a round of applause.

¹Mr. Juan del Busto is the ABAC member that customarily represents the Superintendent at the ABAC. Ms. Connie Pou is the alternate member representing the Superintendent at the ABAC in Mr. del Busto's absence. Mr. del Busto did not attend this meeting due to pre-arranged travel plans.

1. Welcome and Introductions

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

Mrs. Perla Tabares Hantman, School Board Chair	Ms. Maria T. Gonzalez, CPA, Chief Auditor
Dr. Steve Gallon III, School Board Member	Mr. Jon Goodman, CPA, Assistant Chief Auditor
Dr. Dorothy Bendross-Mindingall, School Board Member	Mr. Richard Yanez, CPA, District Audit Director
Dr. Lawrence S. Feldman, School Board Member	Ms. Elvira Sanchez, CPA, CFE, District Director
Dr. Marta Pérez, School Board Member	Mr. Luis Baluja, CISA, Executive Director
Mr. Alberto M. Carvalho, Superintendent	Ms. Tamara Wain, CPA, Executive Director
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer	Ms. Patricia Tumelty, Senior Auditor
Ms. Tabitha Fazzino, Chief Admin. and Comp. Officer	Mr. Wilmer Maradiaga, IT Auditor
Ms. Daisy Gonzalez-Diego, Chief Communications Officer	Ms. Carlota Noguera, Paralegal
Mr. Eugene P. Baker, Chief Information Officer	Mr. Jerold Blumstein, Chief of Staff
Mr. Michael G. Fox, Risk and Benefits Officer	Ms. Francys Vallecillo, Chief of Staff
Mr. Walter J. Harvey, School Board Attorney	Ms. Patricia Betancourt, Administrative Assistant
Mr. Luis M. Garcia, Deputy School Board Attorney	Ms. Andreina Espina, Administrative Assistant
Ms. Mindy McNichols, Assistant School Board Attorney	Ms. Ingrid Feely, Administrative Assistant
Ms. Martha M. Diaz, Chief Budget Officer	Ms. Ana Lara, Administrative Assistant
Ms. Daisy Naya, Controller	Ms. Vivian Lissabet, Administrative Assistant
Mr. Terrance Ferguson, Assistant Controller	Ms. Addys Lopez, Administrative Assistant
Ms. Tiffanie Pauline, Assistant Superintendent	Ms. Natalie Perez, Administrative Assistant
Ms. Cynthia Gracia, Administrative Director	Ms. Pavielle Phillips, Administrative Assistant
Mr. Rolando Martin, District Director	Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Sigilenda Miles, Executive Director	Ms. Latisha Green, Administrative Assistant
Ms. Ana Rodriguez, Executive Director	Dr. Lisa Robertson, Alternate ABAC member
Mr. John Labonia, General Manager, WLRN	Mr. Felix Jimenez, OIG, Deputy Inspector General
Ms. Sheila Reinken, CFO, Friends of WLRN	Mr. Thomas Knigge, OIG, Supervisor Special Agent
Mr. Brett Friedman, Partner, RSM US LLC	Mr. Ken Edwards, CFO, Edison Learning
Mr. Anil Harris, Senior Manager, RSM US LLC	Ms. Angela Kemp, Principal, Arts Academy of Excellence
Ms. Cynthia Borders-Byrd, Managing Member, C Borders-Byrd, CPA	Mr. Daniel Walke, Principal, Chambers Charter High School
Ms. Tanya Davis, Partner, S. Davis & Associates	Mr. Alejandro Madrigal, Principal C.G. Bethel Charter H.S.
Ms. Annette Lewis, Manager, S. Davis & Associates	Ms. Colleen Wright, Reporter, Miami Herald

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of December 11, 2018 (ACTION)

Regarding the minutes of December 11, 2018, which reflected the Committee's discussion of the three ASPIRA charter schools, ABAC Chair Mr. Erick Wendelken requested an update on the approximate \$1.2 million that was listed as receivables in one of the ASPIRA charter schools' financial statements as well as the rest of the assets (these financials had been extensively discussed by the Committee during the December meeting, and transmitted to the School Board with a recommendation to commence proceedings for terminating the charter schools. Subsequent to that meeting and the ABAC's recommendation, the Chief Auditor Ms. Maria T. Gonzalez had communicated to the ABAC members via electronic mail that ASPIRA's Governing Board had decided to voluntarily terminate all three charter schools). Mr. Wendelken stated that it remains unclear whether the matter of the ASPIRA's receivables and all assets in general have been resolved.

Ms. Tiffanie Pauline, Assistant Superintendent overseeing charter schools replied that ASPIRA's notice (to terminate) becomes effective at the end of the fiscal year. She noted that financial matters such as the receivable will be addressed during the normal closing procedures, which happens toward the end of the school year. She further clarified that during the closing procedure all assets, furniture and equipment are analyzed to ensure there is proper disposition and collection of every item in the charter

school's financial records and books. Mr. Wendelken highlighted that within those assets, there is the matter of the receivable which is not tangible.

The Committee was satisfied with the responses. There being no other questions/comment, a motion was made by ABAC member Mr. Isaac Salver, and seconded by ABAC member Mr. Albert Lopez, for the **approval of the minutes of the December 11, 2018, ABAC meeting**. The motion carried unanimously.

3. General Obligation Bond (GOB) External Independent Audit Update (INFORMATIONAL)

The Chief Auditor introduced and welcomed Ms. Tanya Davis, Engagement Partner and Ms. Annette Lewis, Manager in charge of the team from S. Davis & Associates, P. A., and briefly stated that this presentation was an update since the last ABAC meeting in December 2018. The Chief Auditor also mentioned that the fieldwork, initially forecasted to be finalized by the end of January was still in progress; however, she was assured by the firm that they would be on time to meet the April 2019 draft reporting and May 2019 final audit reporting deadlines.

Ms. Davis asserted that her team continues to make progress on this audit, still doing fieldwork, but highlighted that District administration/staff and her team are working cohesively to complete the deliverables and closed by stating that she does not foresee delays going forward. Next, Ms. Lewis took over the presentation of the audit deliverables, which she categorized under the following three working stages: 1) in progress, where the work is being done and tasks are being completed or dependent on other tasks being completed to prevent duplication of efforts; 2) in review mode, where the working papers from other team members are awaiting her review; or 3) in follow-up mode, where the section has been initially reviewed and some questions/follow-up work is required to have a solid understanding.

School Board member/ABAC member Ms. Mari Tere Rojas congratulated the team and the administration for working well and for moving forward as scheduled with the audit. At the request of ABAC member Stephen Hunter Johnson, Ms. Lewis aptly clarified the status of work related to task 3.16 which relates to the Office of Economic Opportunity. ABAC Chair Mr. Erick Wendelken inquired on the progress of the work of the economist, Ms. Lewis assured the audience that the work of the economist is on target to meet the established deadline. As to a question from ABAC member Mr. Isaac Salver regarding the format of the deliverable report, both Ms. Lewis and Ms. Davis clarified that the report would be similar to an accountant's (audit) report (with findings, recommendations and management's responses).

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

4. Monthly Financial Report Unaudited – For the Period Ended November 2018 (INFORMATIONAL)

The Chief Auditor briefly introduced the item and turned it over to Chief Financial Officer Mr. Ron Steiger. According to Mr. Steiger, this is the unaudited monthly financial report for the period ended November 2018.

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

5. Presentation of the Special-Purpose Financial Statements and Report of Independent Certified Public Accountants Operation of WLRN Television and Radio Stations for the year ended June 30, 2018 (ACTION)

The Chief Auditor, Ms. Maria T. Gonzalez introduced the audit report of WLRN Television and Radio Stations (referred to as "WLRN") by explaining it was the result of an audit performed by the external audit firm of C Borders-Byrd, CPA LLC. In her brief presentation, Ms. Gonzalez pointed to the Committee that the report contains an unmodified opinion, which is the strongest opinion that can be assigned to a financial statement audit. She turned the presentation over to Ms. Cynthia Borders-Byrd, Managing Partner of the external audit firm of C Borders-Byrd, CPA LLC.

Ms. Borders-Byrd introduced and outlined the contents of the report, and communicated to the audience that all previous audits performed by the Corporation for Public Broadcasting's Office of Inspector General (OIG-CPB) have been concluded, and all payments resulting from those audits have been made to CPB. She clarified that these previous audit matters have been disclosed in the notes corresponding to WLRN's financial statements, as well as required restatements of certain balances that resulted from those prior audits. She also communicated that the WLRN audit relied on the results of the audit of FRIENDS of WLRN (referred to as "FRIENDS") that was performed by the external audit firm of Marcum LLP. She concluded by stating that she is currently involved with testing WLRN's Annual Financial Report (AFR) that is due to the CPB on February 13th, and expects to timely file the AFR electronically, pursuant to CPB's statutory requirements.

ABAC member Mr. Albert Lopez posed a question regarding any possible audit findings, and Ms. Borders-Byrd replied that the audit did not disclose any significant deficiencies or material weaknesses, and there are no audit adjustments. ABAC member Mr. Julio Miranda pointed to the approximately \$21 million net assets listed on FRIENDS' Consolidated Statement of Activities on page 11 of the report, and questioned why FRIENDS held those funds if their mission is to assist WLRN.

The Superintendent replied to Mr. Miranda's question that FRIEND's financial position evolved from negotiations with FRIENDS that took place during a previous administration that conveyed a revenue-generating asset that is protected under that agreement, and the genesis for the level of funding that FRIENDS currently controls. He also said that, in light of the favorable results reflected in this current audit, he was very pleased that all prior issues related to WLRN and FRIENDS' audits detected two-three years ago have been dissipated, mainly due to the collaborative work between Ms. Daisy Gonzalez-Diego, Chief Information Officer (who oversees WLRN), the management of WLRN and the management of FRIENDS.

The Chief Auditor added that Ms. Daisy Naya, Controller and her team from the Controller's Office should also be included in these congratulations, because of their work efforts with the financial statements of WLRN. Upon a question from School Board member/ABAC member Ms. Mari Tere Rojas regarding the approximately \$1.4 million unspent grant funds reported in WLRN's financials, Ms. Borders-Byrd stated that WLRN has two years to spent grant funds received from the CPB.

There being no questions or comments, a motion was made by ABAC member Mr. Isaac Salver, and seconded by ABAC member Mr. Rudy Rodriguez, which carried unanimously, to recommend that the

Special-Purpose Financial Statements and Report of Independent Certified Public Accountants Operation of WLRN Television and Radio Stations for the year ended June 30, 2018, be received and filed by the School Board.

6. Internal Audit Report – Audit of the District’s Self-Insured Health Care Program (ACTION)

The Chief Auditor introduced the subject report and stated that this audit was conducted pursuant to the Office of Management and Compliance Audits’ approved 2017-2018 Fiscal Year Annual Audit Plan. According to her presentation, this audit was performed to determine whether: 1) adequate internal controls and safeguards are in place over the Program’s operations, including its oversight of the Third-Party Administrator; 2) cost-control strategies are implemented in the management strategies of the Plan; and 3) the Plan information reporting requirements are timely met and complied with. She explained that the scope of the audit covered the two calendar years ending December 31, 2017, and selected transactions before and after that period.

Ms. Gonzalez stated that in general, internal controls and safeguards are in place over most aspects of Office of Risk and Benefits Management (ORBM) operations related to the Self-Insured Healthcare Program, including its oversight of the Third-Party Administrator, CIGNA Health and Life Insurance Company (CIGNA). Notwithstanding, the audit disclosed two control weaknesses. One related to the process of formally and timely executing the contract between the District and the Third-Party Administrator for medical self-insurance, since the audit disclosed that the Administrative Services Only (ASO) Agreement between the School Board of Miami-Dade County and CIGNA currently in effect was signed 794 days (approximately two years and two months) after its effective date. The other issue related to the fact that there is no mechanism in place to monitor the accuracy of receipt of payments pursuant to the Performance Guarantee Agreement (PGA). The PGA is part of the self-insurance contractual arrangement and requires payments to the District for various unmet performance measures. She turned the presentation over to Mr. Jon Goodman, Assistant Chief Auditor, for a brief summary and to address any audit-related questions.

School Board member/ABAC member Ms. Mari Tere Rojas acknowledged the Program’s controls and related cost-containment strategies (such as the Wellness initiatives and implementation of the Healthcare Bluebook, among others), and congratulated ORBM for the management of the Program. She encapsulated the findings and determined that management’s responses to the findings were “very honest and right on point.” Nevertheless, she expressed that moving forward, the contract must be executed in a timely fashion, and the matter of the verification of the PGA payments must be resolved.

Ms. Rojas requested explanation from the Administration as to why the contract took so long to execute. In response, Chief Financial Officer Mr. Ron Steiger replied that it was not because any one party involved in the process took longer than the other, but due to the former Chief Financial Officer and former ORBM administration’s belief that having a Request for Proposal (RFP), a response to the RFP and the related (approved) School Board agenda item in place would be sufficient to start operations, and the contract would be eventually signed. Mr. Steiger concluded that both he and the current Risk and Benefits Officer, Mr. Michael Fox, disagree with this former practice, and will ensure that the next RFP negotiations will be initiated with sufficient time to go through all the required processes, and culminate with a contract signed before the start of operations. Ms. Rojas inquired if this condition of late contract-signing happens with other contracts or whether this was an isolated instance. Mr. Steiger replied that this was an isolated instance within the Finance Department that he oversees.

Regarding the second finding, Ms. Rojas similarly requested an explanation from the Administration. Mr. Steiger responded that certain guarantee payments related to pharmaceutical-related issues can be verified since that information is provided. He noted that the difficulty with the verification of guarantee payments involves certain performance measures, such as when an employee joins a weight loss program or a chronic condition program under CIGNA, the results are not successful, and a payment is forthcoming because of unmet performance. In such cases, although the information supporting the payment has been requested, CIGNA will not provide it claiming that such information is proprietary. He closed by acknowledging that according to the RFP and the contract in place, CIGNA is not required to provide that information, added that these are "lessons learned" and noted that going forward, the RFP and contract will require the provision of such information so that it can be audited.

School Board member Dr. Steve Gallon III expressed his appreciation to the internal audit department for this audit since he recalled having expressed interest in the operation of this Program during a prior Board meeting. He concurred with School Board member/ABAC member Ms. Mari Tere Rojas' concerns and comments, but went further by stating that, payroll being the first and health insurance being the second largest expenditure of the District, he could not conceive that the Program's administration would have relied on an RFP and an approved School Board action item to operate. He rejected that notion and inquired whether this determination had been vetted with the Attorney's Office. School Board Attorney Mr. Walter Harvey replied that it had not been vetted with his office. Dr. Gallon thanked Mr. Harvey and stated that moving forward, these determinations should not be made in isolation by any department or administrator. He was very unsettled that this situation would have happened.

Dr. Gallon brought to the audience's attention the second finding, but specifically to the \$1,223,000, which represented payment for the unmet performance guarantees. He stated that without a process and criteria for verification, the District could be owed money (underpayment) or could owe money (overpayment), and requested clarification from the internal audit department. Although Mr. Goodman agreed with Dr. Gallon that there could be an overage or underage involved, Mr. Goodman asserted that in terms of audit risk, the risk of underpayment to the District would be greater. After some discussion on the matter of negotiations with vendors, Dr. Gallon stated that vendor underpayments/overpayments should be fairly addressed in contract negotiations, because negotiations with vendors must be made in good faith.

School Board member/alternate ABAC member Dr. Lawrence Feldman appreciated the points brought forth by School Board member/ABAC member Ms. Mari Tere Rojas and School Board member Dr. Steve Gallon III, and expressed that, on the basis of audit results and responses, moving forward, the issues should be corrected. However, he showed concern that the matter of the contracts pending signature is not monitored by the Attorney's Office and was disconcerted that this issue continued unnoticed for some time, considering as he said, that the District undergoes various audits and the fact that this was not previously noticed.

School Board Chair Mrs. Perla Tabares Hantman inquired from School Board Attorney Mr. Walter Harvey as to the reason why his office was not aware of this issue. Mr. Harvey replied that he was not aware of the unsigned contract. However, he clarified that his office maintains a log of contracts and based on the log, the contract in question was reviewed and returned to the department in a short turnaround time, and he added that the contract was legally sufficient. He said it was unusual, and he was not aware that signing a contract would take that much time. He agreed with the report that it is

not a “best business practice” to have a contract not properly executed while services are being provided by the vendor.

ABAC Chair Mr. Erick Wendelken requested clarification as to the repository of all contracts, namely, who holds the contracts of the District. CFO Mr. Ron Steiger responded that each individual bureau is responsible for the contracts that fall under its jurisdiction. School Board member Dr. Gallon agreed that the School Board Attorney is responsible for the contracts that his office receives, but he is not responsible for contacting the departments searching for contracts. In this case, Risk and Benefits management was responsible for this contract.

The Superintendent stated that he interpreted this audit as a clean audit, considering that most controls are in place and are effectively working, and audit results only identified two weaknesses, but detected no fraud. He agreed with Dr. Gallon that this area is the second most significant liability to the District, and reminded the audience that back in 2008, it was a huge risk to self-insure but it was done to save costs. He acknowledged that the delay with the contract signing was inconsistent with the District's practice, and he accepts the report's findings and recommendations.

School Board member Dr. Steve Gallon III inquired if there have been any assessments or feedback from the end-users' perception of the healthcare services provided. CFO Mr. Ron Steiger stated the surveys are performed quarterly; and there are committees across all bargaining units that provide feedback. He stated that complaints are not necessarily from the Third-Party Administrator, CIGNA, but from the plan design itself; however, he observed that a more generous plan would require additional funds which may require assessing several differentiated plan models. Dr. Gallon agreed that CIGNA is just the “middleman” but he would be interested in receiving survey data as the District moves forward with the plan design. School Board member/ABAC member Ms. Mari Tere Rojas agreed that the plan needs to be revisited, including lowering costs, co-payments and similar. The Superintendent closed the discussion by stating that the District continues to look for opportunities to expand and improve services provided to the employees and he will further discuss customer satisfaction surveys with Mr. Steiger.

There being no more questions or comments, a motion was made by School Board member/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Jeffrey Kaufman, which carried unanimously, to recommend that the **Internal Audit Report – Audit of the District's Self-Insured Healthcare Program**, be received and filed by the School Board.

7. Internal Audit Report – Selected Schools/Centers (ACTION)

The Chief Auditor introduced the subject report. According to her presentation, the report contains the results of 30 schools and centers with no findings to report, and commended the Administration for the efforts invested in these schools and centers to ensure continued compliance with procedures and proper safeguarding of assets. School Board member/ABAC member Ms. Mari Tere Rojas commended staff and administration involved in these audits and was very pleased with the results. School Board member/alternate ABAC member Dr. Lawrence Feldman expressed similar sentiment and congratulated the schools and centers. ABAC member Dr. Nancy Lawther pointed that some of the schools and centers in this report listed findings in the prior audit period; however, this time they presented none and this should be acknowledged as well.

There being no more questions or comments, a motion was made by ABAC member Mr. Jeffrey Kaufman, and seconded by ABAC member Mr. Albert Lopez, which carried unanimously, to recommend that the **Internal Audit Report - Selected Schools/Centers**, be received and filed by the School Board.

8. Presentation for 26 of 130 Charter Schools' Audited Financial Statements and Three (3) Community Based-Organizations' Audited Financial Statements FYE June 30, 2018 (ACTION)

The Chief Auditor introduced the subject report by stating that these represent the 2017-2018 certified financials of 26 charter schools and three (3) Community Based-Organizations (CBOs). She stated that of this total, 23 charter schools posed no significant financial issues to report to the Committee; however, three of the charter schools, Arts Academy of Excellence, C. G. Bethel High School and Chambers High School presented fiscal management issues.

Arts Academy of Excellence presented a deteriorating financial condition due to a funding deficit as defined in Section 218.39(5)(b) of the Florida Statutes. The financials reported a deficit fund balance of \$(59,140). At present, the school has been notified and in the process of the development of a corrective action plan. At the two other charter schools, C. G. Bethel High School and Chambers High School, the external auditors identified a deficiency in the internal controls which they determined to be a material weakness. Namely, the audit report disclosed that federal funds were received by the former management company on behalf of the schools, however, such funds were not advanced to these schools.

The Chief Auditor, Ms. Maria T. Gonzalez turned to Assistant Chief Auditor Mr. Jon Goodman to continue with the presentation. Mr. Goodman added that charter school representatives were in attendance to answer questions.

School Board member/ABAC member Ms. Mari Tere Rojas summarized the issues and inquired whether the management company was planning to return the funds to C. G. Bethel High School and Chambers High School. Mr. Goodman replied that his office has been in contact with the new management company, is awaiting confirmation regarding the transfer/receipt of the funds to the schools, and the new management company has communicated that they have implemented new mechanisms to ensure this condition does not recur. The representative from the management company, Mr. Ken Edwards was in attendance and available for comment, and confirmed Mr. Goodman's statement. Mr. Edwards stated that those funds had been returned in August, and that this condition should not have been reported by the external auditors. He said that as the new management company, they have new processes in place to prevent this delay/withholding from happening again. He also clarified that his company was in the process of providing additional documentation to the internal auditors to confirm this and related issues.

Ms. Rojas also inquired whether the receivable of approximately \$326,000 reported in the financial statements of Chambers High School was related to federal funds. Mr. Edwards stated that these were e-rate funds that related to six schools and this matter has been corrected². Ms. Rojas inquired whether C. G. Bethel High School and Chambers High School (formerly known as Mavericks North and

² The Office of Management and Compliance Audits was in subsequent communication with the management company and obtained additional information on these funds.

Mavericks South, respectively) had any other issues in the past and Mr. Edwards replied that no other issues had been noted. However, ABAC Vice Chair Mr. Christopher Norwood brought to the Committee's attention that these schools had issues reported in past audits and requested clarification from Assistant Chief Auditor Mr. Jon Goodman. Mr. Goodman clarified that the issues referred by Mr. Norwood related to Full-Time-Equivalency (FTE) issues (reported by the State of Florida's Auditor General) that were presented and discussed at the ABAC approximately four-five years ago.

Mr. Norwood brought up several other concerns regarding these two charter schools. Namely, that the federal (e-rate) funds were withheld and not forwarded to the schools in a timely manner for the benefit of the students during that particular year; and whether there would be a liability attached for delaying the receipt of federal (e-rate) funds. Also, it was not clear to him why the external auditors would not state in the report that there were non-compliance issues related to these federal (e-rate) funds. He also inquired about the exact amount of federal (e-rate) funds withheld at June 30. Last, he pointed that regarding these last two charter schools' websites, they did not readily point to the school's governing board or the identity of the management company.

Regarding federal (e-rate) funds, ABAC alternate member Ms. Connie Pou clarified that the e-rate funds were reimbursable and the reimbursement process could take several years. Therefore, funds could not be appropriated on a year-to-year basis for the students to benefit during that particular year.

Regarding a statement made by the charter school representative Mr. Ken Edwards claiming that the audit report was incorrect and there should not be a finding because the monies were returned shortly after the closing of the year, there was a discussion as to when the audit was completed; when the funds were returned to the schools; when the financial statement audit report was due to the district; and why the external auditors were not notified to recall the report to restate it and clear the finding.

Regarding the external auditor's report, Mr. Goodman clarified that the external auditors reported the finding as the result of a weakness in internal controls (the withholding of funds for a period of time), and not because of a non-compliance issue with the federal program. He also clarified that the amounts of federal funds withheld were \$94,041 for C. G. Bethel High School and \$96,690 for Chambers High School. Regarding verification of the contents of the charter schools' websites, Mr. Goodman clarified that the websites are reviewed by the external auditors.

ABAC Vice Chair Mr. Christopher Norwood requested that the charter school letter prepared by the OMCA and submitted to the ABAC also include the link to the Charter School Compliance and Support's website where data regarding academic and school information for each individual charter school is located (the individual Charter School Annual reports).

During the discussion Dr. Gallon requested clarification as to the reimbursement process and the length of time that funds were withheld from the school. The charter school representative explained some issues with the e-rate reimbursement, however, he acknowledged that it took a year and three months to release the funds to the schools. Dr. Gallon pointed that if the funds were reimbursed in increments, he does not envision why management could not have made them accessible to the school throughout the year via incremental payments to the school. Mr. Rudy Rodriguez, ABAC member corroborated the matter of the incremental e-rate reimbursements.

ABAC member Mr. Albert Lopez reiterated that, if the audit report had an error (as the charter school representative had previously claimed regarding the findings that according to the representative

should not have been reported), then it stands to reason that the management company should have contacted the external auditors to discuss the error and request that they reissue the report. Dr. Gallon cautioned that there may have been a deadline issue with re-submission of the audit report. The representative of the charter school acknowledged the deadline for submission; and that they were not aware of the finding until this issue was brought to their attention during the district's review of the financials. He closed by stating that although his company did not pursue to change the report regarding the finding, he said that the financials were accurate, including the balance of the receivables reported at June 30.

ABAC member Mr. Stephen Hunter Johnson pointed out that the management company needs to change its policies and protocols with the movement of the e-rate monies, and also pointed that this is not an accounting error but a function error that the management company should correct going forward. This last comment closed the discussion related to these two charter schools.

Next, ABAC Chair Mr. Erick Wendelken pointed to the deteriorating financial condition disclosed at Arts Academy of Excellence Charter school. Given that the ABAC had recently discussed certain charter schools that presented a similarly precarious financial condition, he wanted to ensure that this time, the Committee is now taking the appropriate steps to notify and follow all legal means that the Committee is allowed to have this matter resolved before it continues to linger unresolved and debated.

Ms. Tiffanie Pauline, Assistant Superintendent overseeing charter schools clarified that a deteriorating financial condition is a little different than a condition of financial emergency (which is the condition presented by the charter schools recently discussed by the ABAC). Nevertheless, she said, the process to follow is similar, which involves undergoing a corrective action plan. She noted that the school has been notified that they must provide a corrective action plan in accordance with established deadlines to the District and to the State. Furthermore, she added that the State is aware of the issues, and if there is no mutual agreement with their proposed plan, it will be handled expeditiously. Upon inquiry from ABAC member Dr. Nancy Lawther, Ms. Pauline clarified that the plan must be submitted to the State by March 15 and her office expects that the timeline will be met since they are involved in the process.

Last, ABAC Vice Chair Mr. Christopher Norwood again requested that for the next ABAC meeting the letter from the charter schools includes the link to the charter schools' additional financial and academic information. The Chief Auditor agreed to include.

There being no more questions or comments, a motion was made by School Board member/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Stephen Hunter Johnson to recommend that the **Presentation of the 26 Charter Schools and Three (3) Community Based-Organizations' Audited Financial Statements for the Fiscal Year Ended June 30, 2018**, be received and filed by the School Board.

9. Update of the District Websites and the Americans with Disabilities Act (ADA) Compliance (INFORMATIONAL)

According to the Chief Auditor, she stated that since the last update provided on the subject matter on December 11, 2018, her office is reporting on those additional strategies that the District has executed related to compliance with District website ADA requirements. Information Technology Services (ITS) has reported that approximately twenty (20) schools have migrated to an ADA-friendly template. Thirty-

four (34) District offices are under construction and actively migrating to an ADA-friendly website version and eight (8) have been fully migrated. School Operations is pending finalization of ADA website compliance standards being developed by ITS for distribution to schools throughout the District.

Several questions were made regarding: 1) whether this initiative ensued due to prior litigation; 2) the level of assistance provided to the schools; and 3) personnel being trained to update their websites. The Committee was apprised that this initiative is not in response to litigation, but being aware of the litigation outside this District and moving expeditiously toward expected compliance. The Committee was also informed that the schools are receiving assistance from ITS to update their websites, the training workshops are conducted on a monthly basis, and staff being trained includes school site/district staff supporting the website, usually teachers.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

10. Office of Management and Compliance Audits' Activity Report (INFORMATIONAL)

The Chief Auditor summarized the work of the office and noted that she is in the process of interviewing candidates to fill one (1) open Staff Auditor II position. In addition, there is a school auditor out on medical leave since October 2018 for an undetermined period of time and her office is making attempts to fill that position temporarily.

Regarding the Civilian Investigative Unit (CIU), which falls under her office, they are in the process of interviewing candidates for two (2) open CIU Investigator positions. These were due to staff that was promoted and staff that recently retired. Until these positions are filled, the CIU will be understaffed and the timelines for the completion of investigations will be challenging to meet.

Upon concerns posed by School Board member/ABAC member Ms. Mari Tere Rojas regarding the current staffing level of the CIU and whether sufficient to process the investigative caseload timely, the Chief Auditor replied that she had recently approached the Superintendent with a request for two additional positions in order to process the caseload efficiently and in compliance with investigative timelines. At the behest of Ms. Rojas, who was concerned as to the timeline for addressing this request, the Superintendent replied that the Chief Auditor had recently discussed this request with him and with Human Resources; and although he is taking the Chief Auditor's request under advisement, he cautioned the audience that the request is being made during a mid-budget cycle.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

11. School Board Agenda Item H-13, Public Information and Access, Action Item #2 related to the Chief Auditor (INFORMATIONAL)

The Chief Auditor explained that at the January 16, 2019, School Board Meeting, the School Board unanimously approved Agenda Item H-13, proffered by School Board Member Dr. Steve Gallon III, which illustrates issues related to access to public information, means for improving access to public meetings and records, and proposes eight action items to address these issues. She pointed to action item no. 2, which requires the Superintendent "to provide...upon verification by the Chief Auditor, a framework for the current procedures and related timelines for submitting, receiving, reviewing, and

responding to public information requests.” To address this request, she proffered to include in the 2019 Audit Plan an audit or attestation of the current procedures and related timelines for submitting, receiving, reviewing, and responding to public information requests. Ms. Gonzalez added that previously, she had briefly met with the Superintendent, and had also met with Ms. Daisy Gonzalez-Diego (who oversees the office in charge of the public information requests) to discuss this proposed audit; and stated that she plans to perform the assignment with the projected goal of presenting its results to the ABAC at its meeting scheduled for July 16, 2019.

There were some questions and comments posed regarding this assignment that were satisfactorily answered and received by the Committee. Last, School Board member Dr. Steve Gallon III thanked the Chief Auditor for bringing this request to the ABAC and agreed that a baseline analysis of this process, which he understood is what the Chief Auditor was planning to perform, was required.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

12. OIG Report – Arrests Related to GED Fraud (INFORMATIONAL)

The Chief Auditor explained this was an OIG report that was brought to the ABAC for its information and review, and added that the OIG report was recently published. According to the report, three individuals were arrested, two of which are employed with the school system. All three were involved in a scheme to issue GED certificates that were unearned, while charging fees for personal gain.

Mr. Thomas Knigge, OIG Supervisor Special Agent provided a brief summary of the case. He pointed to the packet distributed which included the arrests and narrative of the case, and stated that additional information could not be provided since the case is still under investigation.

School Board member/ABAC member Ms. Mari Tere Rojas had several questions regarding disciplinary action to follow and the number of individuals involved, and whether additional individuals were being identified. Mr. Knigge stated that he could not provide additional information at this time; only what was in the packet that was distributed to the Board members, the ABAC members and the Administration. However, he acknowledged that some of the individuals involved were employees of the School Board and disciplinary action would be determined by OPS (Office of Professional Standards).

The Superintendent said that he appreciated the sensitivity of how this information was being presented to the ABAC; but firmly stated that any employee who cheats to obtain employment will be terminated. He added that he will continue to collaborate with the OIG regarding this case.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

13. OLD BUSINESS: Update on the three (3) ASPIRA Charter Schools (INFORMATIONAL)

The Chief Auditor brought this informational item to the ABAC and stated that this was to apprise the members of recent developments with the subject charter schools since the last Audit and Budget Advisory Committee (ABAC) meeting of December 11, 2018. As a point of reference, she noted that at

the December meeting, the ABAC had unanimously voted to recommend that the Superintendent commence the process for terminating all three charter schools due to continual financial management issues. She also stated that this recommendation from the ABAC was formally communicated to the School Board in writing by electronic mail on December 17, 2018, under the *Selected Highlights of the Audit and Budget Advisory Committee Meeting of December 11, 2018*.

Recently, her office was informed that the Governing Board of the ASPIRA charter schools resolved on Tuesday, January 15, 2019, that ASPIRA of Florida will voluntarily terminate the Charters of each School effective June 30, 2019. This action was taken by the schools' Governing Board after extensive discussion with the staff of the Office of Charter School Compliance and Support.

School Board member/ABAC member Ms. Mari Tere Rojas requested from the Administration to address the process for transitioning students and teachers of these schools. Deputy Superintendent and Chief Operating Officer Mrs. Valtena Brown stated there is a process in place when charter schools close or resign their charters. She summarized the process which includes reviewing their financials to ensure they are sound and the school is able to operate throughout the duration, planning curriculum fairs at each location to showcase available resources and choices, inventorying equipment and plans for distributing equipment, and also working with the District's Human Resources department regarding teacher employment.

School Board member/ABAC member Ms. Mari Tere Rojas was concerned as to the transition of the school children and the teachers of the schools that were closing, and inquired whether teachers as well as parents had been notified of the closing of the schools. Mrs. Brown replied that she was not certain that parents were notified; however, she was in contact with the Principal of one of these schools, and according to that Principal, the school was planning to do so. Mrs. Brown stated that the main issue with these school closings is to limit disruption of student learning and teachers.

Dr. Gallon said he understood Ms. Rojas' concern. Nevertheless, he stated that regarding these schools, he was encouraged that the process was taking place at the end of the year. For that matter, he was satisfied with the plan of action that the District is following through to process the closing of these schools and he wanted to commend the Superintendent, School Operations and Charter School Operations for their efforts and for taking this approach to protect the students.

In response to a question from Ms. Rojas as to whether a recommendation was forthcoming to the Board from the Superintendent regarding the closing of these schools, the Superintendent clarified that no other recommendations will be coming to the Board from his office since the schools are voluntarily terminating their charters and no other action is required. He added that the district is closely monitoring the financial viability of these schools to ensure that they are able to carry out operations until the closing of the school year.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

14. OLD BUSINESS: Payroll Automation Issues (INFORMATIONAL)

The Chief Auditor introduced this item by stating that this was an item that stemmed during the ABAC discussion of the School Audits report in December, where ABAC member Mr. Rudy Rodriguez brought forth the subject matter of automating payroll, and its benefits to the school district. Prior to that

discussion, the Superintendent had stepped out of the meeting temporarily and was not aware that this topic had been debated. Consequently, the ABAC Chair had proffered to bring this topic to this ABAC meeting as part of “Old Business” for further discussion and to allow the Superintendent to reply.

The Chief Auditor also stated that previous to today’s discussion, she had met with selected Administration to discuss the topic of payroll automation, and CFO Mr. Ron Steiger had agreed to make a corresponding oral presentation to the ABAC.

Mr. Steiger initiated the presentation by stating that the subject of payroll automation had been previously addressed by the Administration when the district implemented the SAP system, and the discussion was to engage the use of Kronos automated payroll solution as a supplement to SAP; however, this was not pursued due to its cost, which back in 2008, was close to \$6 million just for implementation, not including equipment costs for the reader, and the annual license cost. Another conversation was to go through SAP with a “I am here” button; however, this brought consternation from bargaining units who were concerned about the matter of tracking employees’ time.

Basically, Mr. Steiger acknowledged that there are opportunities for improving the payroll system; however, the costs are substantive, and one thing that can be agreed upon by all is that the current payroll system works and the district has never missed a payroll, not even during hurricanes. And although at present, there have been audit exceptions in the area of payroll, he added that no matter what system is implemented, audit exceptions may lessen; however, they will never be eliminated.

Mr. Steiger pointed that currently, one area that needs improvement of payroll systems is the area of Transportation since they remain on a legacy system, and there is an expiration date of 2023 to find a solution. He expects that this solution will extend far beyond transportation, possibly to the rest of the district.

The Superintendent agreed that the issue of payroll automation is on his radar to find a solution within the next 24 months, and similarly to Mr. Steiger, he indicated that challenges to further automate involve the cost of implementation, maintenance of a new system and collective bargaining challenges. He added that that the consternation experienced by bargaining units stems from their resistance to management having direct access to employees’ biometrical information, and attendance information that is very direct and certain to verify. However, he believes that over time, the cost of implementing such system will be recouped by a lesser load that relies on human interaction to carry out the process.

ABAC member Mr. Rudy Rodriguez described the evolution of payroll automation during the time that he was the Controller of the district, and how he streamlined the process from a weekly process to a biweekly process. He acknowledged that although it was controversial back then with the bargaining units, the district was able to successfully implement payroll’s direct deposit process with the credit union or with the employees’ banks of choice. He recalled that at the last minute, one of the unions decided to withdraw from the agreement; however, it was too late to withdraw since the new process was “going live” the following day. He added that during his employment with the district, he always promoted and implemented new technology and automation.

Mr. Rodriguez pointed that nowadays, at the airport, the public is facing biometrics to travel and the system used by the airport is called CLEAR. He added that benefits of systems involving biometrics are multiple, including accurate time reporting, and the fact that manual systems are no longer required at the school sites, thus increasing operational capacity and providing controls and limits over overtime.

He also added that payroll audit findings and investigations would be reduced. In addition, he said, such system would improve FTE counts. Although Dr. Lawther believes that automated systems would be beneficial, she was concerned as to what would happen when the system suffers a breakdown, and she pointed that parents would more than likely be very concerned and not aligned with their children being biometrically tracked by the district.

The Superintendent replied that he is only invested in researching systems related to employees, because despite best intentions, there are legal considerations regarding children and biometrics; and he thanked Dr. Lawther for her perspective. He concluded that he is looking at a two-year time period to further automate payroll, and increase its efficiency, transparency and accuracy of reporting.

School Board member/ABAC member Ms. Mari Tere Rojas discussed a current situation that she encountered with a system breakdown at her personal residence, and the difficulties encountered to resolve it; and agreed that system breakdown and how to resolve it would have to go hand-in-hand with new and more fully automated systems.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

15. OLD BUSINESS: Letter in Reference to FBI Information Technology Security Audit Results (INFORMATIONAL)

During the last ABAC meeting in December, and consequent to cybersecurity concerns expressed by ABAC member Mr. Albert Lopez, the Superintendent had informed the Committee and the audience that he had just received a letter from the FBI informing his office that the FBI had just wrapped up an audit that specifically targeted cybersecurity elements, criminal justice information services, information technology security audit, and it was 100 percent accurate. He said that he would be submitting the letter with those results to the School Board and the ABAC. The Chief Auditor stated that this presentation is to introduce the letter in question, and turned the floor over to the Administration to explain the content of the letter.

School Board Member/ABAC member Ms. Mari Tere Rojas inquired about certain information in the letter. Specifically, she requested clarification on the matter of the State's compliance with the Federal Bureau of Investigation's (FBI) Criminal Justice Investigation Services (CJIS) Security Policy, which was stated in the letter.

Ms. Sigilenda Miles, Executive Director of Fingerprinting clarified that the matter of compliance relates to the CJIS User Agreement between the District and the FDLE. According to Ms. Miles, the agreement explains the District's responsibilities regarding the handling and storage of criminal history data and dissemination of this data. School Board member/ABAC member Ms. Mari Tere Rojas requested to receive a copy of the FBI CJIS Policy. The Chief Auditor stated that she would send the policy via email to the ABAC members.

ABAC member Mr. Albert Lopez stated that just because the district received this letter that cybersecurity issues will not go away. He said there are number of cybersecurity threats out there, and the district must be vigilant, and ensure controls are in place to prevent issues such as phishing, ransomware and other threats such as data penetration, and perhaps the district should be looking at outside consultants for this.

Ms. Tabitha Fazzino, Chief Administrative and Compliance Officer, reiterated that the information in the letter relates to the handling of criminal background history, etc., and to the proper handling and storage of this data set.

School Board member/ABAC member Ms. Mari Tere Rojas alluded to a recent cybersecurity board agenda item and requested a status report. Mr. Eugene Baker, Chief Information Officer replied that ITS is ready to roll out a much stricter 12-character password policy; stricter standards in internal controls, and Weekly Briefings will be sent to staff directing them not to store information in the desktop, because it is the weakest point in the system. The Committee was pleased with this information.

Last, the Chief Auditor brought to the ABAC's attention an IT-related audit of SAP/Legacy systems that her office will be commencing shortly.

No additional questions were posed. This report was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

ADJOURNMENT

Since there was no further business to come to the Committee, and upon a motion duly made and seconded, the meeting was adjourned at 3:05 p.m.

MTG/