

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
January 31, 2012**

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The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, January 31, 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. Mayowa Odusanya, Esq.  
Mr. Isaac Salver, CPA  
Mr. Roland Sanchez-Medina, Jr., Esq.  
Mr. Frederick F. Thornburg, Esq.

**Members Absent:**

Mr. Thomas B. Davis, Esq.  
Mr. Jose I. Rasco, CPA

**Non-Voting:**

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

**Call to Order**

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The ABAC Chair Mr. Jeffrey Shapiro called the meeting to order at 12:40 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. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits
Dr. Marta Perez, School Board Member	Ms. Debbie Karcher, Chief Information Officer
Ms. Raquel Regalado, School Board Member	Mr. Jaime Torrens, Chief Facilities Officer
Mr. Alberto M. Carvalho, Superintendent of Schools	Mr. John Schuster, Chief Communications Officer
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Mariaelena Vidal, Employment/Staff Officer
Mr. Freddie Woodson, Deputy Superintendent	Mr. Nicolas Betancourt, Design & Const. Officer
Dr. Helen Blanch, Assistant Superintendent	Ms. Mindy McNichols, Asst. School Board Attorney
Dr. Alex Martinez, Region Superintendent	Ms. Charlene Burks, Administrative Director
Ms. Iraidia Mendez-Cartaya, Asst. Superintendent	Ms. Cynthia Gracia, Administrative Director
Mr. Carl Nicoleau, Assistant Superintendent	Ms. Marta Montaner, Administrative Director
Dr. Daniel Tosado, Assistant Superintendent	Ms. Martha Montiel, Administrative Director
Mr. Jose F. Montes de Oca, Chief Auditor	Ms. Tiffanie Pauline, Administrative Director
Ms. Connie Pou, Controller	Dr. Ana M. Rasco, Administrative Director
Ms. Daisy Naya, Assistant Controller	Ms. Beatriz Pereira, Executive Director
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Ms. Rosy Ugalde, Executive Director
Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs	Mr. Laurence White, Executive Director

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Mr. Jon Goodman, Director  
Mr. Chris Morgan, Director  
Ms. Tamara Wain, Director  
Mr. Luis Baluja, Supervisor  
Mr. Henry Cepero, Supervisor  
Mr. Michael Hernandez, Senior Auditor  
Mr. Jerold Blumstein, Administrative Assistant  
Ms. Viviana Jordan, Administrative Assistant  
Mr. Blake Juste, Administrative Assistant  
Ms. Ana Lara, Administrative Assistant  
Ms. Bertha Valcarcel, Administrative Assistant  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsie Berrios-Montijo, Administrative Secretary  
Ms. Lucila Gonzalez, Administrative Secretary  
Mr. Felix Jimenez, OIG, Supervisor  
Mr. Tom Knigge, OIG, Special Agent

Mr. Donovan Maginley, Partner, McGladrey & Pullen LLP  
Mr. Brett Friedman, Partner, McGladrey & Pullen LLP  
Ms. Angela Klinedinst, Principal, Oxford Academy  
Ms. Debra Baker, Office Manager, Oxford Academy  
Mr. Jorge De La Torre, Auditor, Oxford Academy  
Mr. Marlon Hill, Delaneyhill P.A., Attorney  
Mr. Dan Ricker, Publisher and Editor  
Mr. Scott Hiaasen, Miami Herald, Reporter  
Ms. Laura Isensee, Miami Herald Reporter

There was a moment of reflection.

**2. Approval of the Minutes of the Audit and Budget Advisory Committee meeting of December 6, 2011**

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The Chair drew the Audit and Budget Advisory Committee (the Committee) members' attention to the minutes of the Committee meeting of December 6, 2011. He asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes. Ms. Kairalla gave accolades to very well-written minutes.

There being no questions or suggestions, a motion was duly made by Mr. Salver and seconded by Mr. Sanchez-Medina to approve the proffered minutes to serve as the official memorialization of the December 6, 2011, meeting of the Audit and Budget Advisory Committee. The motion carried unanimously.

## EXTERNAL AUDITS:

### 3. Presentation of 31 Charter Schools' Audited Financial Statements FYE June 30, 2011

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a) **Five Charter Schools Audits Discussed at the December 6, 2011 ABAC meeting where transmittal to the School Board was Deferred**

*(Balere Language Academy, Lincoln-Marti Hialeah, Lincoln-Marti International, Lincoln-Marti Little Havana, Oxford Academy of Miami)*

Mr. Montes de Oca introduced the item and provided a brief synopsis of the 31 charter schools, noting that the financial statements for twenty-six of these schools do not have issues and recommended transmitting them to the School Board. He pointed out the five schools that were brought as carryovers from the December 6, 2011, meeting where they were presented to the Committee for their information only, since they had unresolved concerns. He further explained that four of the five schools had submitted action plans and other information to OMCA, which properly addressed and cleared the concerns previously noted. The financial statements for the remaining school, Oxford Academy, had been found to have omitted substantial payroll expenses, which caused the school to be considered in the condition of financial emergency. Mr. Montes de Oca recommended not transmitting these financial statements until the administration for this school produced an action plan addressing the financial emergency condition.

There was no further discussion and upon a motion duly made by Dr. Feldman, and seconded by Mr. Salver, which carried unanimously, it was recommended that except for Oxford Academy the remaining four charter schools listed above be received and filed by the School Board.

b) **Twenty-Six Charter Schools without Significant Fiscal Issues**

There was no discussion on this topic and upon a motion duly made by Mr. Thornburg, and seconded by Mr. Salver, which carried unanimously, it was recommended that the twenty-six charter schools be received and filed by the School Board.

### 4. The School Board of Miami-Dade County, Florida Single Audit Reports in Accordance with OMB Circular A-133, June 30, 2011

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Mr. Donovan Maginley, Partner, McGladrey LLC, presented the results of the Single Audit as of June 30, 2011. He observed that the report contains an unqualified opinion, which is the highest level of assurance that external auditors can issue for financial statements. He then referred to various pages throughout the report and explained that the audit encompassed almost \$700 million of grants received by the District. Mr. Maginley also noted that there were no major compliance issues, no disagreements with management and that all prior audit findings were corrected, except for one which was partially implemented. He also noted that the report contained an isolated non-financial finding which was deemed minor in nature.

Mr. Carvalho announced that he was pleased with the results of this report and remarked that, considering the amount of money involved in these federal programs, the audit had an exceptional outcome. He also commended the administration of this department on a job well done.

Mr. Montes de Oca reminded the Committee that the prior findings were followed up by his office and the results were presented to the Committee, as requested, at an earlier meeting.

Mr. Thornburg agreed with the Superintendent that this is a phenomenal report and complimented management for its efforts.

Ms. Hantman noted that the recommendation made on the one finding included in the report should be addressed to management, not to the School Board. Mr. Maginley agreed to modify the recommendation to state that the corrective action be taken by management and not by the School Board.

There was no further discussion and upon a motion duly made by Mr. Thornburg, and seconded by Mr. Sanchez-Medina, which carried unanimously, it was recommended that the The School Board of Miami-Dade County, Florida Single Audit Reports in Accordance with OMB Circular A-133, June 30, 2011 be received and filed by the School Board.

## **5. Monthly Financial Report Unaudited – For the Period Ending November 2011**

Ms. Connie Pou, Controller, introduced the report and noted that it was approved by the School Board at its January 18, 2012 meeting.

Mr. Thornburg asked about substantial percentage increases in three accounts in the General Fund.

Ms. Pou provided prompt, detailed and reasonable explanations, which satisfied the Committee members.

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

## **INTERNAL AUDITS:**

## **6. Internal Audit Report - Selected Schools**

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits, presented the selected schools audit report and indicated that it included the audit results of 39 schools of which eight schools had audit exceptions. Of the eight schools, she pointed out two schools had major fraudulent activities, while another had inadequate bookkeeping functions.

Ms. Hantman inquired about Miami Lakes Educational Adult Center which had an exception and asked how serious the exception was. Ms. Gonzalez observed that the bookkeeper of records had gone on medical leave and ultimately retired during the time the audit was being conducted. She then explained that the audit disclosed discrepancies in the bookkeeping function, but there was no fraud uncovered. Ms. Gonzalez concluded that the school and region administrations have properly addressed the situation.

Mr. Carvalho reiterated to the Committee that under his administration fraudulent and illegal activities constitute grounds for immediate termination.

There was some discussion relating to the manner in which the sales of yearbooks are conducted and how unsold yearbooks are being handled. Mr. Woodson commented that the yearbook operation has always been a financial challenge which has been exacerbated by the current state of the economy and that School Operations, along with the school administrators, continue to explore better ways to handle this situation.

Ms. Kairalla congratulated the principals, school staffs and the audit department for a job well done. She said she is impressed with the amount of money the schools continue to raise.

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.

## **7. Internal Audit Report – Pre-Construction Services**

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Mr. Trevor Williams, Assistant Chief Auditor, Operational Audits, introduced the report and noted that the intent of the audit was to determine the contracted firms' compliance with stipulated contract terms and to evaluate the quality of service received by the district for pre-construction services. He explained that the audit contains a few issues that were found to be of concern. However, the one key issue that Mr. Williams wanted to address was that the agreements which are used to govern the procurement of these services need to be closely reviewed and improved, and he feels the administration has done so.

Mr. Thornburg complimented Mr. Williams on an outstanding report, and noting that there was a difference of opinion in terms of approach with the legal department, he suggested that management work with the legal department to strengthen the contract.

Mr. Harvey communicated the position of the legal department and explained that the existing provisions in the contract have been the same for years. He pointed out that the contract states that the School Board can recover for any contingencies that occur; however, for unforeseen contingencies the School Board cannot recover. He further explained that this is where the difference in opinion occurred and he consulted with the attorneys that drafted CM at-Risk contracts and said that the law is very clear on this issue.

Mr. Thornburg expressed his belief that the contract should be reviewed further, as it pertains to the change orders, and suggested that a penalty consequence clause should be added to the agreement and thus this issue.

Mr. Williams stated that the contract needs to be revisited because the way it is written, it is either not enforceable or can jeopardize the district's interest. He, therefore, believes that the contract needs to be improved.

Mr. Carvalho expressed his satisfaction with the results of the audit report and said that management will improve the process where they can. In some instances they are legally limited as to what they can improve, but where they can they will do it.

Mr. Shapiro inquired about the scope change, which is the largest line item, and asked if the recommendation made in the audit report can be entered into the language of the contract.

Mr. Torrens explained that he understands the concern of adding to an existing project through scope changes. He explained that there is a committee that approves these scope changes and they examine these changes very seriously, before they approve them.

Mr. Williams acknowledged some compliments and recognized Mr. Michael Hernandez, who conducted the audit.

There was no further discussion and upon a motion duly made by Ms. Kairalla, seconded by, Mr. Sanchez-Medina that carried unanimously, it was recommended that the Internal Audit Report – Pre-Construction Services be received and filed by the School Board.

## **OTHER REPORTS**

### **8. Office of Management and Compliance Audits Activity Report**

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Mr. Montes de Oca informed the Committee that the District just underwent an Audit of the Florida Education Finance Program (FEFP) which is conducted by the State Auditor General every three years. During the exit conference that was recently held, the results of this audit show that the District's FEFP function continues to improve from one audit to the next. Mr. Montes de Oca commented that he anticipates bringing this report to the Committee at its next scheduled meeting.

Dr. Feldman added that the District's FEFP function has improved for the third audit in a row, when compared to the previous audits.

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

## **NEW BUSINESS**

Mr. Carvalho recognized Dr. Richard H. Hinds, CFO, for having the District receive the highest award for financial management ever conferred by the Council of Great City Schools.

Mr. Thornburg asked what would be the impact on the District's financial outlook if proposed legislation, calling for districts throughout Florida to transfer a portion of capital outlay funds to charter schools for construction, was to come to fruition.

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Mr. Carvalho explained that a huge percentage of the tax collections that fund the capital program are earmarked for debt service. Therefore, financial implications for this district and many districts across the State would be disastrous. He announced that the administration is vigorously opposing those bills in Tallahassee not only because the implications that the bills will have on our maintenance program, but more importantly, the financial implications they will have on capital outlays. This would create a situation that will make it very difficult to balance the District's entire budget.

Dr. Feldman suggested that a statement should come from the Audit and Budget Advisory Committee to lawmakers in Tallahassee supporting the School Board's and Superintendent's position to the proposed bills.

The Committee discussed this issue at length and then agreed to hold a special meeting to review and further discuss the proposed legislation, and possibly drafting a statement to transmit to lawmakers in Tallahassee, supporting the administration's opposition to the proposed bills.

The special meeting was scheduled for Friday, February 3, 2012 at 2 p.m., in School Board Administration Building, Conference Room 916.

**OLD BUSINESS**

No old business came before the Committee.

**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 2:00 p.m.

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