

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
REGULAR MEETING (IN-PERSON/VIRTUAL)
February 2, 2021**

The School Board Audit and Budget Advisory Committee (the ABAC or the Committee) met on Tuesday, February 2, 2021, in the School Board Administration Building, SBAB Auditorium, at 1450 N.E. Second Avenue, Miami, Florida. This was an in-person/virtual meeting and the third in-person meeting held by the ABAC members since the start of the COVID-19 pandemic working conditions of the District in March 2020.

Call to Order

ABAC Chair Mr. Erick Wendelken called the meeting to order at 12:35 P.M.

1. Welcome, Introductions and Recognitions

The ABAC Chair turned the presentation over to the Chief Auditor, Ms. Maria T. Gonzalez. Ms. Gonzalez introduced herself and welcomed those present in the room and those attending the meeting virtually. She then proceeded to read the introductory statement declaring the meeting procedures and the authority to hold this meeting pursuant to Board Policies 6840-Audit and Budget Advisory Committee and 9140(e)-Board Advisory Committee Meetings During Declared COVID-19 Emergency. She also went over the CDC guidelines for those attending in person, specifically the adherence to social distancing and face covering requirements.

This Regular Meeting conducted by members of the Audit and Budget Advisory Committee and facilitated by the Chief Auditor from the Office of Management and Compliance Audits (OMCA), is pursuant to the procedures delineated in Board Policy 6840 - Audit and Budget Advisory Committee, and is provided in-person as well as virtually in accordance with Board Policy 9140e-Board Advisory Committee Meetings During Declared COVID-19 Emergency. Effective November 18, 2020, this emergency policy includes the following provisions: permitting the Advisory Committee meetings to be held through communications media technology as long as there is a physical quorum present in the room, and requiring that adequate notice of the meeting, including that a means for the public to access and participate in the meeting, be provided. This policy also allows that, once a physical quorum is established, other Committee members, Board members and staff may participate virtually.

The meeting is being streamlined and close-captioned.

In-Person Attendance: In accordance with the Centers for Disease Control and Prevention (CDC) guidelines, each person will be required to wear a face covering over their nose and mouth (individuals are responsible for providing their own facial covering) and remain at least six (6) feet from other attendees upon arrival as they enter the School Board Administration Building and until his/her departure. Individuals who fail to adhere to these guidelines may be required to leave the premises.

2. Attendance of ABAC Members

The Chief Auditor requested that each ABAC member respond “present” after each ABAC member’s name is called out to record the member’s attendance and ensure that a quorum was achieved for this in-person meeting. Following this procedure, the following ABAC members were present and a quorum for this meeting was achieved:

ABAC Members Present In-Person (For Quorum Purposes) (Voting Members)	
1.	Mr. Erick Wendelken, CPA, ABAC Chair
2.	Mr. Christopher Norwood, J.D., ABAC Vice-Chair
3.	Ms. Chloe Bordon-Gillenwater, ABAC Member
4.	Mr. Juan del Busto, ABAC Member

ABAC Members Present In-Person (For Quorum Purposes) (Voting Members)	
5.	Ms. Anna Hochkammer, ABAC Member
6.	Mr. Stephen Hunter Johnson, Esq., ABAC Member
7.	Mr. Jeff Kaufman, ABAC Member
8.	Ms. Mari Tere Rojas, School Board Member/ABAC Member
9.	Ms. Zeida Sardiñas, ABAC Member
10.	Mr. Ernie Saumell, Alternate ABAC Member to ABAC Member Mr. Albert D. Lopez
11.	Dr. Nancy Lawther, Alternate ABAC Member to ABAC Member Ms. Sharon Watson
ABAC Members Present (Attending virtually via ZOOM Platform) (Voting Member)	
12.	Mr. Julio C. Miranda, CPA, CFE, ABAC Member (Refer to Note 1)
ABAC Members Absent	
•	Mr. Albert D. Lopez, CPA, ABAC Member—Alternate attended.
•	Ms. Sharon Watson, ABAC Member—Alternate attended.
Alternate ABAC Members in Attendance (Present But Not Voting At This Meeting)	
13.	Ms. Christi Fraga, School Board Member/Alternate ABAC Member for School Board Member/ABAC Member Ms. Mari Tere Rojas (Ms. Fraga attended physically but did not vote).
14.	Mr. Joshua Clarin, Alternate ABAC Member for Ms. Anna Hochkammer (Mr. Clarin attended virtually but did not vote).
Note: (1) ABAC Member Mr. Julio Miranda was unable to attend in-person. Mr. Miranda attended virtually, and he was able to vote since physical quorum was met in the room.	

Therefore, ABAC member Mr. Julio Miranda will be able to participate virtually as a committee member and will be able to vote on the proceedings.

In addition to the ABAC members, and following similar attendance-taking procedures, the Chief Auditor recognized the following nine (9) meeting panelists (including herself) that were in attendance in the room:

15. Mr. Ron Y. Steiger, Chief Financial Officer, Ex Officio (Non-Voting) Member of the ABAC
 16. Ms. Maria T. Gonzalez, Chief Auditor and the ABAC’s liaison
 17. Mr. Walter J. Harvey, School Board Attorney
 18. Mr. Alberto M. Carvalho, Superintendent of Schools
 19. Mr. Jaime G. Torrens, Chief of Staff
 20. Mr. Jose Bueno, Chief of Staff
 21. Mr. Jon Goodman, Assistant Chief Auditor, Office of Management and Compliance Audits
 22. Mr. Luis O. Baluja, Executive Director, Office of Management and Compliance Audits; and
 23. Ms. Elsie Berrios-Montijo, Staff Assistant, Office of Management and Compliance Audits.
- Mr. Baluja and Ms. Berrios-Montijo acted as meeting co-hosts/facilitators, in addition to the Chief Auditor.

3. Attendance of Board Members, District Administration and Other Representatives

As a tradition of the ABAC meetings conducted during pre-COVID conditions, the meeting room would be circulated to have those in attendance each verbally introduce his/her name into the record of attendance; and an attendance log would be passed around to collect the signatures of those attending the meeting. In lieu of calling out for introductions of those present in the room, the following 30 participants were physically in attendance according to their signatures in the sign-in attendance log:

Names of Attendees In The Room	
24. Mrs. Perla Tabares Hantman, School Board Chair	25. Dr. John Pace, Chief Operating Officer
26. Mr. Eugene Baker, Chief Information Officer, ITS	27. Mr. Jose L. Dotres, Chief Human Capital Officer

Names of Attendees In The Room	
28. Ms. Daisy Gonzalez-Diego, Chief Communications and Comm. Engagement	29. Mr. Edward McAuliff, Chief Inf. Security Officer
30. Dr. Verena Cabrera, North Region Superintendent	31. Ms. Meyme Falcone, Administrative Director, Grants Admin.
32. Mr. Mario De Barros, Chief Procurement Officer, PMS	33. Mr. Michael Hernandez, Audit Supervisor, OMCA
34. Ms. Daisy Naya, Controller	35. Ms. Latisha Green, Assistant to Chief Auditor
36. Ms. Tamara Wain, CPA, District Director, OMCA	37. Mr. Brett Friedman, Partner, RSM US LLP
38. Ms. Charisma H. Montfort, District Director, PMS	39. Ms. Cynthia Borders, C Borders-Byrd LLC
40. Dr. Gloria Arazoza, Admin. Director, School Operations	41. Ms. Ana Lara, School Board Admin. Assistant
42. Mr. Alejandro Santana, IT Auditor, OMCA	43. Mr. Jerold Blumstein, School Board Member's Chief of Staff
44. Mr. Anil Harris, Senior Audit Manager, RSM US LLP	45. Mr. Gustavo Hernandez, TV Director, WLRN
46. Mr. John LaBonia, Station Manager, WLRN	47. Mr. Jorge Funcia, Technician, ITS
48. Ms. Ann de las Pozas, Executive Director, FNEI	49. Mr. Mario Lozada, WLRN
50. Ms. Carlota Noguera, School Board Admin. Assistant	51. Ms. Stephanie Vega, CFO, FRIENDS of WLRN
52. Mr. Al Chicoy, Creative Director, WLRN	53. Ms. Sheila Reinken, CEO, FRIENDS of WLRN

Board member/ABAC member Ms. Mari Tere Rojas brought to everyone's attention that The Honorable School Board Chair Mrs. Perla Tabares Hantman was in attendance in the room. The Chief Auditor apologized for not having introduced Mrs. Hantman previously. Mrs. Hantman was greeted by the Chief Auditor and her presence officially acknowledged.

Next, the Chief Auditor stated that, regarding those attending the meeting via virtual means, in lieu of this attendance-taking/recording procedure, the virtual meeting platform provides a list of the names of those attendees that have joined the meeting via email invitation, and Ms. Gonzalez proceeded to read each entry from the list, which ultimately amounted to an additional 30 participants that had joined the meeting; and which consisted of first/last names. Titles were also included for the record. This attendance is reflected in the following table:

Names of Attendees Via ZOOM Platform (Virtual)	
54. Dr. Steve Gallon III, School Board Vice-Chair	55. Dr. Lubby Navarro, School Board Member
56. Ms. Tabitha G. Fazzino, Chief Intergov. Affairs and Comp.	57. Mr. Luis Garcia, Deputy Assistant School Board Attorney
58. Ms. Joyce Castro, Asst. Superintendent	59. Mr. Michael Lewis, Central Region Superintendent
60. Ms. Tiffanie Pauline, Asst. Superintendent, Charter Schools	61. Dr. Magaly Abrahante, Asst. Superintendent
62. Ms. Mary Lawson, Assistant Attorney, School Board Atty.	63. Ms. Mahati Tonk, District Director, Charter Schools
64. Ms. Terry Rodriguez, Executive Director, OMCA	65. Mr. John-Philip Iafelice, Assistant School Board Attorney
66. Ms. Shelby J. Williams, Assistant Inspector General of	67. Mr. Rick Yanez, District Audit Director, OMCA
68. Mr. Octavio Verdeja, Partner, Verdeja, De Armas & Trujillo LLP CPAs	69. Ms. Patricia Tumelty, Audit Coordinator II, OMCA
70. Ms. Christina Perdomo-Fernandez, Academica	71. Mr. Tom Knigge, Supervisory Special Agent, Office of the Inspector General
72. Mr. Steve Hernandez, Charter Schools USA	73. Mr. Tommy Trujillo, Mgr., Verdeja, De Armas & Trujillo LLP CPAs
74. Ms. Rachel Windler-Freitag, Charter Schools USA	75. Ms. Ana Martinez, Academica
76. Mr. Levi Williams, Legal Counsel, Keys Gate Charter High	77. Ms. Myrna Laine-Hyppolite, Charter Schools USA
78. Mr. Floyd Barber, Arts Academy Charter School	79. Mr. Robert Kersey, Charter Schools USA
80. Ms. Marcia Griffin, Arts Acad. of Excellence Charter School	81. Mr. Ken Haiko, Keys Gate Charter High School
82. Mr. William Benson, Keefe McCullough CPAs	83. Ms. Kimberly Perkins, Arts Acad. of Excellence Charter School

Subsequent to these introductions, Chief Auditor Ms. Maria T. Gonzalez welcomed and introduced new ABAC member Ms. Anna Hochkammer, who represents School Board member Ms. Luisa Santos at the ABAC. Newly appointed ABAC member Ms. Hochkammer thanked Ms. Gonzalez for bringing her up to speed in ABAC-related proceedings. Also, Ms. Gonzalez introduced Mr. Joshua Clarin, who was attending the meeting virtually and who is the Alternate ABAC member for ABAC member Ms. Hochkammer.

Mr. Clarin expressed his excitement to get started, and that he was appointed to the ABAC as Alternate for ABAC member Ms. Anna Hochkammer. He described his approach as being solution minded and able to help out. Ms. Gonzalez welcomed Mr. Clarin to the Committee and wished him a wonderful day.

School Board member/ABAC member Ms. Mari Tere Rojas then directed Ms. Gonzalez's attention to School Board member Ms. Christi Fraga, who had joined the meeting in-person. School Board member Ms. Fraga is Ms. Rojas' Alternate member to the ABAC. The Chief Auditor Ms. Gonzalez acknowledged and officially welcomed Ms. Fraga to the meeting; and apologized for not having recognized her previously.

Upon the completion of the welcome exercise and introductions, ABAC Chair Mr. Erick Wendelken moved on to item number 2 on the agenda and turned the floor over to the Chief Auditor for the presentation.

4. Approval of the Minutes of the Special School Board Audit and Budget Advisory Committee Meeting of November 13, 2020 (ACTION)

The Chief Auditor Ms. Gonzalez introduced the subject item and briefly went over the reasons for this special meeting to bring everyone up-to-date. According to her explanation, the meeting had taken place before the tenure of those members that are new to the School Board, as well as those members that are newly appointed to the Audit Committee subsequent to November 13, 2020. She also wanted to go over some of the details for the benefit of the ABAC members since the meeting had happened back in November.

Ms. Gonzalez stated that in the special meeting of November 13, 2020, the ABAC members, in their role as *Auditor Selection Committee* members, had met and followed the established protocols within the procurement process to review *Request For Proposal RFP-19-081 - External Independent Auditing Services* and recommend a licensed accounting firm to perform the external auditing services related to the District's yearly financial statement audit. The *Auditor Selection Committee* members voted and recommended RSM US LLP, which is the current incumbent as the highest ranked proposer and directed Procurement Management Services to seek the best and final terms and pricing for these contracted services. These are the minutes of that meeting and the results of this meeting are documented under the *Old Business* section of the agenda where Ms. Gonzalez will present the School Board Agenda Item that was recently approved by the Board awarding the RFP to the selected vendor. Also, this is to remind the committee members that these are the minutes illustrating the meeting deliberations.

School Board member/ABAC member Ms. Mari Tere Rojas took the opportunity to thank the members of the group that were present during that long day; and to state that the process was conducted fairly, and the established guidelines were followed. She concluded by stating that ABAC members were professional and dedicated.

There being no additional questions or comments, upon a motion made by ABAC member Mr. Jeff Kaufman and seconded by School Board Member/ABAC member Ms. Mari Tere Rojas, which carried unanimously, to approve and file the **Minutes of the Special School Board Audit and Budget Advisory Committee Meeting of November 13, 2020.**

5. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of December 1, 2020 (ACTION)

Chief Auditor Ms. Gonzalez introduced the subject matter; and indicated the following corrections to the minutes, specifically:

- On page 6 of 24, bullet number 8, where it starts “at the next meeting you will receive the report on the internal audit...”; she stated that in lieu of “internal audit” it should state “independent auditor’s report”;
- On page 16 of 24, the last line, it should state “now” instead of “know”; and
- On page 21 of 24, next to the last paragraph, it should state “ministerial” instead of “administrative”.

There being no additional questions or comments, upon a motion made by School Board Member/ABAC member Ms. Mari Tere Rojas and seconded by Alternate ABAC member Dr. Nancy Lawther, the corrections proffered were unanimously approved by the Committee. Next, upon a motion made by School Board Member/ABAC member Ms. Mari Tere Rojas and seconded by ABAC member Mr. Jeff Kauffman, which carried unanimously, to approve and file the corrected **Minutes of the School Board Audit and Budget Advisory Committee Meeting of December 1, 2020.**

6. Presentation of The School Board of Miami-Dade County, Florida, Single Audit Reports, Fiscal Year Ended June 30, 2020, Management Letter and Independent Accountant’s Report in Accordance with Chapter 10.800 of the Rules of the Auditor General of the State of Florida (ACTION)

The Chief Auditor introduced the item and stated that it is the presentation of an audit report long awaited and referred to School Board member/ABAC member Ms. Mari Tere Rojas’ inquiries regarding the outcome of this audit report at the last ABAC meeting of December.

According to the Chief Auditor, the external independent audit firm, RSM US LLP, has issued the *Single Audit Reports in Accordance with the Uniform Guidance for The School Board of Miami-Dade County, Florida for the fiscal year ended June 30, 2020*. In addition, they are issuing the *Management Letter in accordance with the Rules of the Auditor General of the State of Florida*, and the *Independent Accountant’s Report* on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.800, Rules of the Auditor General of the State of Florida.

She stated that the Single Audit, which encompasses both financial and compliance components, was performed to determine the School Board’s adherence to the types of compliance requirements described in the Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the School Board’s major federal programs. This publication also includes the *Schedule of Expenditures of Federal Awards*; and identifies the School Board’s major federal programs in the *Summary of Independent Auditor’s Results* section of the *Schedule of Findings and Questioned Costs*. Regarding the Single Audit, and according to the external auditors, in their opinion “...the School Board complied, in all material respects, with the types of compliance requirements...that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2020.” She noted that this represents an unmodified opinion and the strongest opinion from an external auditor.

Ms. Gonzalez noted that, previous to the Single Audit reports, the external auditors had issued an unmodified opinion on the School Board’s basic financial statements. Regarding the *Schedule of Expenditures of Federal Awards* required by the Uniform Guidance, the external auditors also issued an opinion that this schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

She reported that for the Fiscal Year ended June 30, 2020, total expenditures of federal awards reported by the District amounted to approximately \$433.6 million. As reflected in the *Schedule of Findings and Questioned Costs for Fiscal Year Ended June 30, 2020*, there were no reported findings or questioned costs.

Furthermore, the external auditors have issued the *Management Letter in accordance with Chapter 10.800 of the Rules of the Auditor General of the State of Florida*. This letter, which is a statement of the external auditor's comments and recommendations, provides information in connection with the report on financial statements, the auditor's responsibility, other reporting requirements, prior audit findings, financial condition and management, recommendations to improve financial management, transparency, and additional matters regarding communications on noncompliance with provisions of contracts or grant agreements, or abuse. The *Management Letter* presents no findings or recommendations, and no unfavorable communications to report.

The external auditors have also issued the *Independent Accountant's Report in accordance with Chapter 10.800 of the Rules of the Auditor General of the State of Florida*. According to this report, they examined The School Board of Miami-Dade County's compliance with Section 218.415 *Florida Statutes, Local Government Investment Policies* during the period July 1, 2019 to June 30, 2020 in accordance with attestation standards established by the American Institute of Certified Public Accountants. In their opinion, the School Board complied, in all material respects, with these referenced requirements for the year ended June 30, 2020.

Ms. Gonzalez concluded her summary presentation, and introduced Mr. Brett Friedman and Mr. Anil Harris, both from RSM US LLP, for their presentation and for any questions from the ABAC members related to these reports.

RSM US LLP's engagement partner, Mr. Brett Friedman expressed his pleasure for being at the meeting. Also, he thanked the ABAC members for the results in School Board Agenda Item 2 and appreciated the Committee's confidence in RSM US LLP as the School Board's external auditor. He stated that he looks forward to being a valued business advisor to the School Board. Mr. Friedman also stated that Ms. Gonzalez had covered the important parts, and she was very thorough in her presentation of this report. He highlighted the following points:

- Page 9 has an unmodified opinion, the best opinion that can be provided on both the financials and compliance. He highlighted the following six major programs that were the focus of the testing: 1) the Child Nutrition Cluster; 2) Child and Adult Care Food Program; 3) Adult Education Basic Grants to States; 4) Special Education Cluster; 5) Supporting Effective Instruction State Grants; and 6) the Disaster Recovery Assistance for Education.
- Type A testing has a \$3 million threshold for the District.
- No current year findings either in the financial statement or federal awards audits.
- One prior year financial statement finding issued by the Auditor General that related to the reporting of a charter school, which the District has responded. RSM US LLP has evaluated this finding in the past and it is consistent with other school districts. RSM US LLP believes the District's position is accurate and in accordance with generally accepted accounting standards and government accounting standards.

Mr. Friedman then introduced RSM US LLP's Senior Audit Manager Mr. Anil Harris to discuss the past federal award findings. According to Mr. Harris' presentation, the following points represented the highlights:

- He referred the Committee to page 12 for a list of prior findings, starting with 2019 relating to the Hurricane Education Recovery Grant. Mr. Harris stated that the nature of that finding is that the District had misreported the number of misplaced students that resulted in the refunding of \$1.2 million back to the US Department of Education. The payment was tested as well as auditing the individual grant again for 2020-2021 and found no findings or issues relating to that grant.

- Two other findings related to the Student Financial Aid Cluster. He noted that the findings had been issued in 2018, which the District started correcting; and by 2019, the District had already implemented internal controls. Further, through 2020, additional internal controls and corrective actions were implemented by the District resulting in the finding being 100% corrected. He explained that the nature of the first finding was the improper reporting of enrolled students and the status of those students within those programs; as well as the return of Title IV funds to students, both the timeliness of the disbursements to students and the calculation of the amounts and the recordkeeping relating to withdrawing students. He also explained that the auditors looked at the corrective plan to date, and verified that the District had corrected those items issued in the prior year as well as implemented a series of controls going forward. RSM US LLP is confident that there are no issues at this point.

Mr. Harris asked whether the ABAC members had any questions. School Board member/ABAC member Ms. Mari Tere Rojas was very pleased with the results reflected in the report. She stated that it appeared to be a good report with a well-prepared management letter. However, Ms. Rojas requested clarification on specific statements reflected on pages 3 and 4, specifically under internal control over compliance. She read the auditor's statement that "we do not identify any deficiencies in internal controls over compliance that we consider to be material weaknesses, however, material weaknesses may exist that have not been identified"; and wanted to know what is meant by that statement and mentioned that the statement was also found in the Foundation's audit report that will be discussed in today's ABAC agenda at a later time.

Mr. Friedman responded that the way the audit works is that testing of controls is done on a sample basis, performed on a sample of transactions. Auditors do not review 100% of the universe. Therefore, he noted that a material weakness would be the worst possible control deficiency to be reported. He noted that the external auditors can only make a statement as to those transactions that have been tested. Although he expressed that nothing was found during the audit, but since 100% was not tested, he also expressed that there is always a risk out there. He explained that the language referred to by Ms. Rojas is industry-standard language established by the [American Institute of Certified Public Accountants] AICPA and based on the fact that it is a sampling-based approach, it does not mean that there is something there that the auditors are not reporting. Ms. Rojas followed up by inquiring about the sampling percentage. Mr. Friedman stated that he was not sure of the exact amount because there are certain standards based on the type of program and level of risk with different sampling guidelines suggested. He explained that when the population is over 250, the approximate sample is 60 transactions that are payroll-related and 60 that are non-payroll related; but again it depends how many transactions are in each program and how big the dollar amounts earned is the general approach. Ms. Rojas appeared satisfied with the response and thanked Mr. Friedman for this presentation.

Superintendent Mr. Alberto Carvalho commented that this is probably one of the most important audits that this Committee contemplates and wanted to thank the external firm, RSM US LLP, for the report. He also thanked every single division head responsible for the expenditures that were reviewed during the audit. He noted that the Single Audit reflects all the federal expenditures, and there were six critical areas looked at, but in addition to those in this report, he noted that there are Title I, federal expenditures that are specific to Title II and Title III, Students with Disabilities and to go through a sample size as previously indicated and to emerge from it with an unmodified opinion on the financial statements spanning over \$433.6 million, both the financial statement and compliance guidelines and rules is pretty fantastic.

The Superintendent again thanked the external auditors and the administrators overseeing these expenditures, and closed by noting that this is a gold standard that every school district strives for; a cause for celebration, and is pleased that Miami-Dade County Public Schools has received this conclusion and type of outcome, considering the extremely large amount of expenditures and compliance of federal regulations specific to those expenditures of which there are many when dealing with Title I, Title III, Students with Disabilities, and Food Service Programs.

There being no additional questions or comments, a motion was made by School Board member/ABAC member Ms. Mari Tere Rojas and seconded by ABAC member Mr. Jeff Kaufman, which carried unanimously, to recommend that the **Presentation of The School Board of Miami-Dade County, Florida, Single Audit Reports, Fiscal Year Ended June 30, 2020, Management Letter and Independent Accountant's Report in Accordance with Chapter 10.800 of the Rules of the Auditor General of the State of Florida**, be received and filed by the School Board.

7. 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, 2020 (ACTION)

The Chief Auditor Ms. Gonzalez introduced the subject item and stated that this is the audit of WLRN Television and Radio Stations for the fiscal year ended June 30, 2020. She explained that this external audit is performed by the external audit firm of C Borders-Byrd, CPA LLC and welcomed Ms. Cynthia Borders-Byrd, the firm's Managing Member, who was physically present at the meeting.

Ms. Gonzalez indicated that the special-purpose financial statements of WLRN Television and Radio Stations for the fiscal year ended June 30, 2020, were audited by C Borders-Byrd, CPA, LLC. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

She noted that in the independent auditor's report, the external auditor concluded that, in her opinion, "the financial statements...present fairly, in all material respects, the financial position of the governmental activities and the major fund of the Stations and the discretely presented component unit, (FRIENDS of WLRN), as of June 30, 2020 and 2019, and the respective changes in financial position, net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America." This language constitutes an unmodified opinion, which is the strongest opinion that can be assigned to a financial statement audit.

She also noted that during their consideration of internal control over financial reporting, the auditors did not identify any deficiencies in internal control considered to be material weaknesses. During their tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, audit results disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. No findings were reported.

Regarding the entity's financial highlights, Ms. Gonzalez brought to the Committee's attention that for the year ended June 30, 2020, the Stations' net position was approximately \$10.5 million, of which approximately \$9.4 million reflects the Stations' net investment in capital assets, for example, land, buildings and improvements, furniture, fixtures and equipment, and motor vehicles; and approximately \$1.1 million represents restricted funds for the Corporation for Public Broadcasting future grant funded expenses. Reported revenue for the Stations was approximately \$5.7 million, of which approximately \$1.5 million represents grant funds from the Corporation for Public Broadcasting.

Ms. Gonzalez concluded and introduced Ms. Borders-Byrd for her presentation and for any questions that the Committee might have related to the audit. Ms. Gonzalez also acknowledged Ms. Sheila Reinken, CEO of FRIENDS of WLRN, Ms. Stephanie Vega, CFO, FRIENDS of WLRN, and WLRN's Station Manager Mr. John LaBonia who were in the room attending this meeting.

Ms. Borders-Byrd began her presentation and stated that as Ms. Gonzalez has indicated her firm completed the audit of WLRN for June 30, 2020 year-end. She noted that the auditor's report is unmodified and as normally said on this presentation of this report, the School Board is licensed for WLRN; and because WLRN receives grant funds from the CPB, it is the reason why this audit is being performed, since CPB requires it.

Ms. Borders-Byrd then brought page 54 of the report to the attention of the ABAC members. She stated that this is the driver for this audit, it is the Combining Schedule of Statement of Activities that includes Radio and TV and FRIENDS of WLRN. Additionally, Ms. Borders-Byrd covered the following communications that are required to be presented to those in charge of governance: 1) there were no significant audit findings during the audit of the 2020 financials of WLRN; 2) no difficulties were encountered in performing the audit; 3) no audit adjustments and no audit differences were identified during the audit; 4) there were no disagreements with management; 5) in accordance with professional standards, the auditors obtained the management representation letter signed by the Superintendent and a number of School Board executives; 6) the external auditor was not aware of any consultation with other auditors; and 7) there were no other findings to report. Ms. Borders-Byrd concluded by stating that the audit was performed virtually and thanked both WLRN's Station Manager Mr. John LaBonia and his team, and Controller Ms. Daisy Naya and her team for the cooperation and assistance provided to her staff during the audit.

School Board member/ABAC member Ms. Mari Tere Rojas expressed that she was very pleased that this audit of WLRN is a very good one. She stated that for the past three years, she and her colleagues on the Board have posed many questions and have undertaken various discussions in reference to WLRN. She noted that the Board members will probably continue down this path because they are looking for solutions that hopefully will allow the opportunity to offer the stations' viewers and listeners the very best that WLRN can provide to a very diverse South Florida. She proffered that more discussions on this subject will likely take place, including a (School Board) Committee meeting coming up and a School Board meeting thereafter. For the record, Ms. Rojas stated that she is pleased with the results, but there will more conversations related to this issue.

Alternate ABAC member Dr. Nancy Lawther thanked Ms. Borders-Byrd for a very thorough report. Dr. Lawther asked (if she understood correctly) that the audit of FRIENDS of WLRN (referred to as FRIENDS) was performed separately, not by Ms. Borders' group, but simply included as part of this particular report due to federal requirements. Ms. Borders-Byrd responded that this information is correct, that her firm does not audit the FRIEND's financials and the professional standards she is guided by require that she contact the partner of Marcum LLP (the external audit firm responsible for the audit of FRIENDS) to make them aware that she will be relying on their report and for them to acknowledge that they have followed the professional standards in performing the audit of FRIENDS. Furthermore, Ms. Borders-Byrd stated that FRIENDS has a separate Board and officers, so they are responsible for their own audit, which is presented at the consolidated level. Dr. Lawther appeared pleased with the response and thanked Ms. Borders-Byrd for this clarification.

ABAC member Mr. Juan del Busto stated that the report was thorough and referred to page 8 of FRIENDS of WLRN report, specifically on the revenues and assets, and inquired as to the new notes payable of \$705,000. Ms. Borders-Byrd stated that since she did not perform any of the procedures on FRIENDS other than it was properly disclosed in the financial statements and referred the question to those representing FRIENDS at this meeting.

Chief Auditor Ms. Gonzalez stated that on page 50 of the report, and according to note 13, the \$705,000 is a promissory note related to the CARES Act. Ms. Sheila Reinken, CEO of FRIENDS of WLRN, responded that the \$705,000 is a Payroll Protection Program (PPP) loan obtained through the CARES Act as explained on the note. Mr. del Busto further inquired if this loan was simply for payroll and whether it is forgiven. Ms. Reinken stated that, yes it had been forgiven with no interest or payments required. Mr. del Busto further asked if the note had already been forgiven and Ms. Reinken responded that it had been forgiven by the SBA. Mr. del Busto was satisfied with the response.

Superintendent Mr. Alberto Carvalho expressed that the score was "two and 0", referring to the Single Audit followed by the audit of WLRN and FRIENDS. Furthermore, he stated that he is cognizant of some of the challenges that this process has seen in the past but is very pleased and wanted to express his appreciation to Ms. Cynthia Borders-Byrd, for her professionalism and long-term examination of these grants. He concluded that the station, both television and radio, depend on CPB funding and this type of outcome, namely an unmodified opinion, continue to protect this important asset of the Board.

There being no additional questions or comments, a motion was made by ABAC member Mr. Juan del Busto and seconded by ABAC member Mr. Jeff Kaufman, which carried unanimously, to recommend that the **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, 2020**, be received and filed by the School Board.

8. Presentation of the Audited Financial Statements of The Foundation for New Education Initiatives, Inc. And Independent Auditor's Report for the Year Ended June 30, 2020 (ACTION)

The Chief Auditor Ms. Gonzalez introduced the next subject item and stated that it is the presentation of the Audited Financial Statements of The Foundation for New Education Initiatives, Inc. and Independent Auditor's Report for the Year Ended June 30, 2020. She noted that the presenters of this audit report from the external audit firm of Verdeja, De Armas and Trujillo were attending virtually. She pointed to Mr. Tommy Trujillo, who is the manager of the CPA firm that performed this audit. In addition to Mr. Trujillo, Ms. Gonzalez welcomed the engagement partner Mr. Octavio Verdeja who was also attending this presentation virtually.

According to Ms. Gonzalez, the financial statements of the Foundation for New Education Initiatives, Inc. (the "Foundation") for the year ended June 30, 2020, were audited by the external audit firm of Verdeja, De Armas & Trujillo, Certified Public Accountants and Advisors. She noted that the Foundation is a not-for-profit corporation organized and operated as a Miami-Dade County School Board's Direct-Support Organization; and further explained that the Foundation's annual audit is required by State Board of Education Rule 6A-1.0013 and pursuant to Florida Statute 1.001.453(4) and School Board Policy 9215.

The Chief Auditor indicated that, in the independent auditor's report, the external auditor concluded that, in his opinion, "...the financial statements...present fairly, in all material respects, the financial position of [the] Foundation for New Education Initiatives, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America." This language constitutes an unmodified opinion, which is the strongest opinion that can be assigned to a financial statement audit

Although in their report, the external auditors issued an unmodified opinion; did not identify any deficiencies in internal control considered to be material weaknesses; did not disclose any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards; and did not cite any audit findings, in the report's Notes to the Financial Statements' Note 11 - Subsequent Event, regarding a transaction that took place after the close of the 2019-2020 fiscal year, the external auditors disclosed that "the Organization received a \$1,500,000 donation from a vendor of Miami Dade County Public Schools. Such donation is currently under review by the Office of Inspector General. No decision has been made at the date of these financial statements as to the use of these funds or whether they will be returned."

Regarding financial highlights of the entity, she noted that as of June 30, 2020, the Foundation's financials reported total net assets of approximately \$2.5 million, which represents a decrease from the prior year of approximately \$490,000, or close to 16 percent. In addition, total revenues reported at June 30, 2020, were approximately \$6.2 million, of which 52 percent generated from local grant funds. Total expenditures for program services amounted to approximately \$5.7 million, or 85 percent of total expenditures; while expenditures for supporting services, which included general/administrative and fundraising were approximately \$884,970, or 13 percent of total expenditures.

Lastly, Ms. Gonzalez stated that during her recent briefings with School Board members she understood that the Honorable School Board Chair Mrs. Perla Tabares Hantman had officially resigned from her position as Vice-Chair of the Foundation effective December 7, 2020. She then turned over to the representatives of the audit firm of Verdeja, De Armas & Trujillo, Certified Public Accountants and Advisors for their presentation of this report and for any questions related to the audit.

The firm's engagement partner Mr. Octavio Verdeja recapped the audit and stated that the audit resulted in a clean opinion, unmodified, which is the best opinion that can be given, no material weaknesses, no significant deficiencies, total revenues were about \$6.2 million, total expenses were about \$6.6 million. Most importantly, he said that 87% of the funds is going towards youth programs, therefore only 13% is being used for administrative purposes which is well in line, if not better, than most not-for profit entities. He indicated that his firm performs audits of over 150 not-for-profit entities and most range in the area of maybe 80/20 and 85/15, so the Foundation is above that. He also noted that most of the funding is going straight to the youth programs and to the programmatic efforts of the mission of the organization.

School Board Member/ABAC Ms. Mari Tere Rojas asked the following questions:

- On page 4 of the report where it states that there are net assets without donor restrictions and net assets with donor restrictions, which is explained on page 7 and 8 with some examples, she requested from the external auditors to further elaborate with additional examples of both. The firm's manager Mr. Tommy Trujillo explained that when it comes to contributions made for a specific time or purpose, such as contributions that need to be used for a certain program like the Meals To Go Program, or if they contributed to the Foundation like One Blood, if they are restricting the purpose of the contribution, then it is placed in the middle column under "net assets with donor restrictions", and when the funds are used, it is then identified under "net assets released from restrictions". At that point, the revenue is recognized in the unrestricted column which is the first column. In this case and year, for example, the Meals To Go Program, which was a net \$2 million contribution of net assets with restrictions, \$850,000 of that was for the Meals To Go Program. Since it happened around April, May, and June, a portion of these funds was used after year-end, during July and August. That's why you have a surplus of about \$320,000, as shown on the change of net assets, which is just a timing difference of when the funds were used for this purpose. The funds are not released until they have been used for the intended purpose.
- On page 5 of the report, she inquired as to the nature of the program expenses/activities of the Youth Program and the Special Events program expenses. Mr. Trujillo responded that those could possibly correspond to the gala, the golf events, and the other fundraising special events, which occurred this year before COVID-19; or the majority of special events that the Foundation holds every year. He said that this is what the Special Events line item [expenses] represents. Upon request for clarification from Ms. Rojas regarding Youth Program and gala-related expenses, Mr. Trujillo clarified that the gala, the golf events and other fundraisers that the Foundation runs are in the Special Events. Youth events such as the Summer Youth Internship Program, Together for Children, or Meals to Go Programs, those [program-related expenses] are all going to be in the Youth Program expenses; but addressing specifically the Special Events line item, he said it is mainly made up of the gala and golf events and similar events.
- On page 12 of the report, in Note 10 to the Financials, the Foundation received \$30,675 from the Paycheck Protection Program (PPP); and she inquired whether this amount was used to pay for payroll. Mr. Trujillo responded that it was for payroll based on their understanding from the Executive Director, and he believes the Foundation is in the process of trying to get 100 percent forgiven, in which case it would be recognized as revenue in the next year, on the June 30, 2021 financials.

School Board member/ABAC member Ms. Mari Tere Rojas further inquired as to the Office of the Inspector General's pending investigation/review currently being conducted and when it is expected to be finalized. In response, Ms. Shelby J. Williams, Assistant Inspector General of Investigations, Office of the Inspector General, stated that a memorandum had been released from the Inspector General (IG), a week or so prior to the last regularly scheduled Foundation's meeting; and it advised that the review is ongoing and the IG is working expeditiously to get that done. She noted that unfortunately, at this time the IG cannot provide a guesstimate of when it will be done because it does involve a significant volume of information that they still need to go through to support the conclusions. She noted that the IG is working diligently and ensures that all is being done possible to get it done in an expeditious manner and as soon as the findings are available, they will release the information.

In response, Ms. Rojas acknowledged that she had read the IG's memorandum that was sent a few weeks ago and understands that this is a comprehensive report that is being put together and that will take some time. However, she is inquiring on a timeline for this report because there are many teachers waiting for this. Ms. Rojas further added that her office has received electronic mail correspondence inquiring when these teachers will get paid a specific amount that was promised earlier in the year to them; and concluded that she looks forward to seeing the report which should bring closure to this situation.

The Superintendent stated that "3 and 0". He was very pleased to see outside of the school audits, that this is a significant audit of an important organization that provides direct support to some of the most fragile children in the community, homeless children, it supervises and monitors the disbursement and support of the Youth Internship Program, arts and cultural access opportunities particularly for underprivileged students from this community, internships and youth programs. He further stated that he was very proud of the fact that \$6.2 million of transactions were reviewed with an unmodified opinion, a clean audit with no findings. Additionally, he was exceedingly proud that the promises that have been made to the teachers from this school system for the work that they have done and the sacrifices they have made; and appreciates the question and the answer. He said that no one more than he wants the review of the transaction/transfer from the private entity to the school system through the Foundation to be closed with the appropriate conclusions reached, so the Foundation can dispatch those \$100 gifts to M-DCPS' deserving teachers.

ABAC Chair Mr. Erick Wendelken inquired as to the \$1.875 million deferred revenue. Mr. Tommy Trujillo responded that the \$1.875 million relates to the Summer Internship Program that occurred in July and August [after year-closing] when the payments were made out, but the Foundation had received the first advance of \$1.875 million before the year-end. Chief Auditor Ms. Gonzalez requested that for the benefit of those not present at the meeting that the page number be provided in reference to the \$1.875 million being discussed. Mr. Trujillo stated that the deferred revenue section is on page 3; and that deferred revenue just means that it is unearned, the \$1.875 million has been received but has not been used for its intended purpose.

School Board Vice-Chair Dr. Steve Gallon III was attending virtually and thanked the auditors and the team for the outstanding work they have done. Dr. Gallon had a question on the audit and the scope that he expressed is continuous to an issue Ms. Rojas raised and the Superintendent responded to, but it also cuts at the heart of the statement that was made by the Chief Auditor relative to the current status of the Honorable Chairwoman Mrs. Tabares Hantman and her resignation from the Foundation. He inquired from the external auditors if, as part of the scope of work that is involved in the audit and the review, is there an element that looks at governance relative to the governance of the entity in addition to the financials. Dr. Gallon stated that many audits look at the governance structure as well, since some of the financial decisions and some of the financial implications even with respect to the issue that was just raised has implications for governance, i.e., the Board has to accept donations, etcetera, and make some determination relative to its utilization.

The firm's partner Mr. Octavio Verdeja responded that as part of the audit, they do ask questions about governance; and they had an opportunity to meet with the Board of the Foundation before this meeting and to ask questions of management as to information that is to be provided with respect to the governance and decisions that are made, and the Foundation Board's set up. Dr. Gallon further inquired as to whether the report had any notation related to that particular conversation in the disposition of those inquiries; or whether they are done informally without any notation. Mr. Verdeja responded that the financial statements are financial in nature, as well as the notes that go along with them; therefore, there are no governance issues reported on that financial statement other than to say that there are no material weaknesses or significant deficiencies that came to the auditor's attention that one way or the other would affect the financial statement; and there was none to report.

Dr. Gallon responded that the reason he raised that question (regarding the Honorable Chair Mrs. Perla Tabares Hantman's resignation from the Foundation's Board) is because he wanted some clarity as to whether that action has some implication for the governance structure of the Foundation relative to its

bylaws, etc. Dr. Gallon asked whether the auditors could speak to that since it is not noted in the audit report. He noted that because the Foundation is a [Direct Support Organization] DSO of the District, he wants to make sure that there is clarity around the implications, if any, pertaining to that particular status. Mr. Verdeja replied that this is a question for the members of the Foundation's Board more than a financial question as to any impact to the financial statements. In response to Dr. Gallon's inquiry, the Superintendent replied that there is policy that protects the Foundation and the School Board in the event of a resignation; and it is under the purview and responsibility of the Chair of the School Board to appoint/designate a replacement. Therefore, there are no implications to the function of the Foundation or any applicable consequences to the audit. Dr. Gallon sought corroboration on this point that there were no implications to the School Board regarding this matter (since it related to a DSO of the School Board). The Superintendent corroborated that there are no implications to the Foundation or the School Board because there is protective policy that declares that in the event of the Chair's resignation from the Foundation's Board, then the Chair has the prerogative of making an appointment to the Foundation's Board. Dr. Gallon concluded by thanking the Superintendent.

ABAC Chair Mr. Erick Wendelken inquired with regards to the collections reflected in these financial statements which cross the last quarter of the pandemic period, whether the auditors identified a decrease in revenue resulting from attendance functions or willingness to contribute. Mr. Trujillo responded that JP Morgan and Royal Caribbean were contributing the last couple of years, however, this year they did not contribute, and last year it was a significant amount or \$675,000. He noted that obviously, those industries, especially Royal Caribbean have been hit hard with the pandemic. Those types of economic consequences had an effect this year, they didn't get a pledge or revenue from those two organizations. As far as collections of receivables that were promises to pay prior to the pandemic, about \$21,000 that was allowed for that had not been collected at year-end from certain individuals; however, the Foundation feels confident it will collect the \$21,000. Mr. Trujillo concluded that those are the two major things observed as far as the economic impact from COVID-19 had on the Foundation. Also, ABAC Chair Mr. Wendelken asked whether they noticed a drop off in grants for 20-21. The auditor responded that he did not as far as Miami Dade County funding some of the Youth Internship programs, that is why the \$1.8 million was reported under deferred revenues. That and the Together with Children are still the two major programs that the Foundation runs and are still ongoing. It will have a greater effect on the private contributions, maybe contributions from One Blood. Mr. Trujillo stated that they had not audited June 30, 2021 but that's where they think they may see an impact, but that's probably a question for the Foundation moving forward.

Mr. Wendelken asked whether the Foundation had any representatives attending this meeting. Ms. Gonzalez replied that the Foundation's Executive Director Ms. Ann de las Pozas and Administrative Director Ms. Meyme Falcone (who acts as the liaison for the District) were present. Ms. de las Pozas asked for the question to be repeated. Mr. Wendelken asked that regarding the 20-21 year if they anticipate collections to be sufficient to cover the annual expenses, last year being over \$6 million considering you have net assets of \$2.5. Ms. de las Pozas stated that they don't anticipate that they will lose any money this coming year, she anticipates that the year will stay stable. Both Mr. Wendelken and Ms. Gonzalez thanked Ms. de la Pozas.

There being no additional questions or comments, a motion was made by ABAC member Mr. Jeff Kaufman and seconded by ABAC member Mr. Stephen Hunter Johnson, which carried unanimously, to recommend that the **Presentation of the Financial Statements of The Foundation for New Education Initiatives, Inc. for the Year Ended June 30, 2020**, be received and filed by the School Board.

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

Chief Auditor Ms. Maria T. Gonzalez introduced the subject report. According to the Chief Auditor, this report includes the internal audit results of 35 schools/centers, one that reports to the North Region Office and 34 that report to the Central Region Office. She also noted that for all 35 schools/centers reported herein, the audit scope was one fiscal year ended June 30, 2020; and at two schools/centers, there was a change of Principal since the prior audit. Although she noted that audit and property

inventory results proved satisfactory for most schools/centers in this report, and their financial statements were fairly stated, she pointed out that at Alonzo and Tracy Mourning Senior High School, the internal auditor had discovered a misappropriation of funds during the audit. This incident was referred to the Miami-Dade Schools Police (MDSPD) for investigation and her audit staff closely collaborated with the MDSPD Detective assigned to this case. Ultimately, the Treasurer responsible for handling the funds in question has been terminated and her personnel records have been flagged to prevent future re-employment. The Chief Auditor briefly discussed the additional issues cited in the finding, which included a deposit in transit that was questionable, and a double payment to a vendor that remained unresolved.

School Board member/ABAC member Ms. Mari Tere Rojas initiated the discussion of this report by commending everyone involved with the schools, since as she indicated, only one out of the 35 schools presented an issue. She praised District personnel, Region personnel, school site personnel starting with Principals, Assistant Principals, and Treasurers at those compliant schools for working cohesively which resulted in the majority of these schools achieving good results. She commented that the issue in this report was the result of a former Treasurer who has been terminated and whose records have been flagged so that the employee can no longer come back to this District without going through the Office of Professional Standards for clearance. At this point, she inquired from management whether the employee has been replaced.

The newly appointed Chief Operating Officer Dr. John Pace responded that a replacement has been identified. He added that this Treasurer (replacement) has prior experience as Treasurer with the school system. At Ms. Rojas' inquiry, Dr. Pace clarified that the recently hired Treasurer was placed at the school as of last week; however, her first day at work was officially today, and in the system officially as of yesterday. Ms. Rojas mentioned that she hoped that going forward, the open Treasurer positions could be filled in a more expeditious manner.

Regarding the details of the finding, Ms. Rojas noted the issue of the "borrowed" funds which dated back to December 2019. She also noted that funds had been deposited into the school's checking account by an unknown source during the audit and requested elaboration as to specific details surrounding this incident.

The Chief Auditor responded that this was an adjusting entry in the monthly checking account reconciliation that remained pending and unresolved and that was questioned by the auditor during the audit. According to the Treasurer, she claimed it had been a mistake from the bank resulting from a previous school deposit, whereby the bank had flagged a deposit made by the school because the corresponding cash that was part of that deposit was short and the correction was pending. However, after the auditor's inquiries, during the audit, the same amount of cash shows up as a recent deposit in the account. When confronted, the Treasurer then claimed that the bank had made a recent correction; however, the bank confirmed that it was not a correction, but a cash deposit made to the account through a teller machine. The funds were deposited during the COVID-19 pandemic; however, there is no collection of funds at the schools because the schools are under a fundraising moratorium. Therefore, the source of the funds remains questionable, all that is known is that the deposit was made after the auditor's continuous inquiries regarding the pending deposit, and the bank assuring the auditor that it was not a mistake; that there had been monies initially missing and the deposit showing up unexpectedly. During the audit, the identity of the individual who made the deposit could not be determined, all that is known is that the monies showed up in the bank account.

Ms. Rojas noted from the report that this Treasurer had finally admitted to the Principal that she had not deposited some cash collected during the prior year, but instead had stashed it in an envelope that she maintained hidden in the school's vault. Ms. Rojas inquired whether the vault is checked, how often is the vault checked at the schools; and whether there is any directive given to the Principals so they know that this is something that is required for them to do and monitor.

Dr. Pace responded that there is a provision in the Internal Funds Manual where collections over a certain dollar amount must be deposited within a certain time period; however, it did not happen in this

case. He added that Principals and designees are updated on these issues, the new Treasurer will not only be monitored on this process by the Region but will be required to participate in the Money Does Matter Support Program to ensure that this does not happen again.

Ms. Rojas further commented that the safeguarding of deposits at schools is critical as well as the timeliness of deposits, and inquired as to professional development opportunities offered now to address many of the issues that have come up in this particular report today. Dr. Pace responded that a review of this audit report will be made with affected staff and administration to identify training going forward; and also school administration and staff will be monitored on a quarterly basis at the Region level as well as on a monthly basis at Money Does Matter to ensure that these errors are not made again.

Next, Ms. Rojas commented on the arduous efforts from Mr. Dotres' team to assist those new Treasurers, some of them who are new into these positions and who need much assistance. She inquired from Dr. Pace whether his office is working cohesively with Mr. Dotres' office. She noted that Mr. Dotres was in the room in attendance and directly inquired from him, as to those initiatives implemented at this point in time to assist new Treasurers. In response, Dr. Pace answered first, followed by Mr. Dotres.

Dr. Pace responded that in collaboration with Human Capital, they have developed a Master Treasurer's Program. The participants are Treasurers with three years of exceptional audits with no audit findings, and the objective of this program is for experienced Treasurers to assist with the training of new Treasurers, along with working with the Business Manager's [Internal Funds] Department [in the Office of the Controller]. He noted that this is to make sure that all new Treasurers are thoroughly trained. He then added that the Master Treasurer's program has been outstanding, and the program continues to be enhanced through collaboration with Human Capital.

Chief Human Capital Officer Mr. Jose Dotres confirmed Dr. Pace's statements and the collaborative nature of this approach which is not only School Operations, Human Resources and Professional Development, but also the Controller's Office, the financial side of the house. In addition to this, he established that a couple of months ago, School Board Vice-Chair Dr. Steve Gallon III had made a recommendation to look at a feeder pattern approach of Master Treasurers supporting the schools that are known to them; and that has also been incorporated into this support apprentice induction program for the Treasures in order to support. The apprentice program started in 2018 and it has really grown with additional support structures completely aligned with what School Operations is doing as it relates to Money Does Matter; and in many cases these audits become case studies to learn from them and improve practice.

Ms. Rojas reiterated that audits have been used as case studies for the benefit of the Treasurers, the Principals and the Assistant Principals. She expressed satisfaction that the two offices are working cohesively as a united front; and also together with Region personnel because they do play a critical role at the school sites with Principals. She inquired whether the Region Offices had assigned a Director for business as well as a line Director for the specific schools. Dr Pace replied that this is correct.

ABAC Vice-Chair Mr. Christopher Norwood inquired that in those instances where money is missing from an account, what process is in place that would recognize or indicate that those monies were not there. He wondered how possible it is for a year to go by where monies are not where they're supposed to be and whether there is any oversight that would detail that over that time period.

Dr. Pace replied that although schools are supposed to conduct audits on a semi-annual basis, the only thing attributable to this situation is possibly the pandemic and with the closure of schools, just losing sight of exactly those deposits during that semi-annual audit. According to him, in most cases, that semi-annual audit would have been conducted in the summertime and if that audit had not been done internally, that was the reason for missing that deposit.

To clarify some of Dr. Pace's comments, Chief Auditor Ms. Gonzalez pointed out that the only ones that can perform audits are audit staff members from the Internal Audit Department. She clarified that at the

schools, administration can perform *mid-year reviews*, not mid-year audits. In regard to the \$1,250 that represented an outstanding transaction in the monthly bank reconciliation for a pending deposit of funds, she said that it should have been looked at faster by the administration. She proffered that somehow the Treasurer did not bring it to the attention of the Principal. This was a “plug” in the reconciliation because the monies were posted to the account, duly recorded in the system; however, the bank account did not have the funds. Therefore, it becomes a reconciling item in the checkbook reconciliation in order for the checking account total to reconcile to the total in the school’s bookkeeping system. This outstanding transaction remained unresolved until the auditor came to the school to perform the actual audit. Dr. Pace agreed with Ms. Gonzalez’s clarification.

ABAC Vice-Chair Mr. Christopher Norwood inquired as to: 1) who has access to the bank account; 2) does the Principal have access; 3) who checks the Treasurer on a monthly basis; 4) is there a process for doing that; and 5) is someone supposed to do that. He wanted to understand the process. Dr. Pace responded that the Principal has access to the bank account and should be able to review the account.

ABAC member Ms. Anna Hochkammer observed that having seen several of these cases over the years, it seems that a very thorough vertical process has been created to check the work and provide accountability within the system. She believes there is a bit of a system-wide flaw at the point of entry here, which is the vast majority of these Treasurers operate alone and are not opportunely cross-checked by somebody who has the cross-training to function in their role on a day-to-day basis. Operationally in most schools, if the Treasurer is out sick or doesn’t come, then the school’s Treasury Office doesn’t operate. In other words, there is no opportunity for any other ethical professional to enter into their day-to-day workspace and see what level of functionality or lack of functionality exists in that workspace, except when the supervision moves vertically on a monthly basis up to the Principal. In order to avoid these circumstances, it might be helpful to consider cross-training of other office personnel to create a dynamic which is common in private industry, where you have small dollar transactions happening that creates a dynamic where no one who handles cash has the opportunity to operate for an extended period of time without interaction with some other professional who understands their job; and therefore creates a system of accountability, horizontal accountability within one of these institutions. Dr. Pace appreciated and agreed with these comments.

In reference to this situation, School Board member/ABAC member Ms. Rojas observed that a Principal relies a lot on those Treasurers at the schools, and one of the greatest responsibilities assigned to Principals is to make sure that they are overseeing everything that is being done by the Treasurer. Her concern is that new Principals are being assigned to schools; therefore, assistance must also be provided to new Principals in the same manner that the District is providing assistance to Treasurers. In the past, Ms. Cynthia Gracia [who retired from the school system] was responsible for the Money Matters Program and it was extremely successful. Ms. Rojas said that she remains confident that the program will continue a success going forward.

ABAC member Mr. Jeff Kaufman inquired whether this Treasurer was at the school during the prior [audit] finding. Dr. Pace replied that this Treasurer had started during the prior audit. Ms. Rojas commented that she had found it interesting that the Treasurer was absent most of the time that the auditors were at the school; and that should have been an indicator that something was not right.

Alternate ABAC member Dr. Nancy Lawther inquired whether the Principal was the same as during the prior [audit] finding. Dr. Pace responded that it was the same Principal. ABAC Chair Mr. Erick Wendelken replied that according to the information reflected on page 22 of the report, it is the same Principal. Dr. Lawther found that situation concerning, and with all due appreciation for the many tasks that Principals have and perform in excellent fashion, what additional measures may be taken from the managerial standpoint that will double down on any Principal who has a finding and help them along to avoid repetition. Mr. Wendelken asked Dr. Pace if he was to respond. Dr. Pace opted not to respond at this time.

There being no additional questions or comments, a motion was made by School Board member/ABAC member Ms. Mari Tere Rojas and seconded by ABAC member Mr. Jeff Kaufman, which carried

unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers**, be received and filed by the School Board.

10. Review of Charter Schools' Audited Financial Statements (ACTION)

The Chief Auditor Ms. Gonzalez started the presentation by introducing the audited financial statements of a group of charter schools which she noted is part of the audit cycle. She noted that during this meeting the certified financial statement of 50 charter schools is being presented. Based on the auditor's analysis of the financial statements, Ms. Gonzalez noted that 33 of the 50 charter schools appear to be free of significant fiscal issues.

Ms. Gonzalez explained that the certified financial statements of the remaining 17 charter schools disclose that although none is meeting the condition of financial emergency or a deteriorating financial condition, these include charter schools with fiscal issues of different magnitudes, two of which involved issues which the auditors felt worth noting to the Committee because they have been brought to the Committee in the past. Aside from these two, the remaining 15 involved either management letter findings, deficit fund balance and/or a deficit net position; and the auditors have analyzed and reviewed the corresponding financials and are satisfied with the school's corrective actions taken or planned to address the identified condition. She noted that all these observations are being presented to the ABAC for purposes of placing these comments on the record and for future follow-up and monitoring, as well as for any recommendations to the School Board from this Committee.

Ms. Gonzalez concluded her presentation by introducing Mr. Jon Goodman, Assistant Chief Auditor, who is present in the room. She also acknowledged Assistant Superintendent Ms. Tiffanie Pauline from Charter School Support who was attending the meeting virtually; and pointed out that a number of representatives from charter schools had been invited and were attending virtually in case of any questions. Mr. Jon Goodman made himself available to the committee for questions. The following was discussed:

ABAC member Mr. Juan del Busto stated that this is not the first time that the Committee members have reviewed the financials of Keys Gate [Charter High School] and the condition is deteriorating to the point where it is critical. A point of concern for him is that they had waived the management fee of \$1.7 million. Regarding the incremental rent of \$425,000 and the donated contribution of \$620,000, he inquired if these were in addition to the \$1.7 million or part of the \$1.7 million. Mr. Goodman responded that both were in addition to the management fee. Mr. del Busto then concluded that this is \$2.7 million and Mr. Goodman agreed with that calculation. Mr. del Busto then stated that he doesn't think the five-year plan is robust enough to reduce the deficits; and inquired whether the charter school is coming up with a new plan. Mr. Goodman replied that representatives from the school and management company are in attendance virtually and he expects them to weigh in.

Mr. Goodman stated that Mr. del Busto is correct that they have seen the charter school each of the last four or five years and there are concerns. He explained that the enrollment has declined in the last three years to about 800, and that previously it was 1,200. The school does not have enough enrollment or revenue to support the fixed expenditures, such as rent and management fee, and are relying on the management company to waive the annual contractual charges as well as contributions. Mr. Goodman further stated that the concern is valid and a good time to talk about it today; and he has ideas that have been discussed with the school, its management company and OMCA. Mr. del Busto stated that before they respond, he has many concerns that include an existing deficit of \$5,331,000 and now waiving \$2.7 million, even if the school increases to the maximum capacity of students, he does not see how the school can overcome these deficits. In his math it doesn't work, maybe they can explain that. Chief Auditor Ms. Gonzalez pointed to the Committee that Mr. William (Bill) Benson who represents the school's audit firm, Ms. Laine-Hyppolite who represents the Charter School, and Ms. Tiffanie Pauline who represents the District's Charter School Support are participating in the meeting virtually and are available/accessible for the discussion.

Next, ABAC member Mr. Julio Miranda who was also participating virtually, raised his hand for a comment. Mr. Miranda said that he concurred with ABAC member Mr. del Busto and reiterated that every year it is the same situation and getting worse, and the only reason they are surviving is because the management fees were waived and the management company donates money to the school. He would like to see what happens next.

Mr. William Benson, CPA, partner from Keefe McCullough and Company, the audit firm who performed the audit of Keys Gate Charter High School, stated that he understands the Committee's concerns and this has been discussed with Mr. Goodman and his team over several years' period. Mr. Benson wanted to point out several things for the Committee to consider, specifically that the charter school has a deficit of \$5,331,000; however, \$6,230,000 of that was depreciation, and if added back, there would be a surplus of \$898,000. Similarly, for the current year, there is a deficit of \$624,000; however, he noted that depreciation alone is \$737,000. Therefore, if added back, there would be a surplus \$113,000 in the current year. Mr. Benson further stated that in past Committee meetings, he has said that they take it very seriously, as well as the management company. He noted that a substantial building has been built in Homestead, and they did that because they run a very highly performing Keys Gate Elementary School directly across the street; and this \$26 million facility has a substantial amount of depreciation.

He also acknowledged that the school is aware of the need to increase the enrollment and they are working on that. Also, he indicated that a year ago, the school voluntarily agreed to participate in a voluntary corrective action plan, even though they did not meet any of the conditions of financial emergency. However, at the request of Ms. Tiffany Pauline, the school management entered into it and it has been supplying a significant amount of information to the Committee or to that team, all year long; and believes that enrollment has been showing an upward trend in recent months. Also, in the current fiscal year, due to the declining interest rates, the charter school was able to refinance their debt and obviously they went through scrutiny of a whole host of underwriters who understood this depreciation issue and were willing to refinance the debt. The school met all the conditions of the underwriters and they understood the depreciation matter explained earlier and believed that the organization will be able to operate out of the deficit. Mr. Benson stated that they are not making light of it in anyway and believes the management company has tremendous resolve in terms of their willingness and commitment to the school. The management company operates a very large network of schools and is determined to succeed at this school like it has with the other schools in Miami-Dade County and throughout a seven-state region.

ABAC member Mr. Julio Miranda commented that he understands the situation with depreciation, but his question relates to cash, since in the statement's net position, the cash reported is less than \$2 million, however, the amount that has been waived and the amount donated is over \$2 million. In other words, if it were not for these contributed funds, the school wouldn't have enough cash to survive. Mr. Benson stated that it is going to take three or four items, namely, continue to take enrollment increases, cost control over the period of time, and continued support and as mentioned previously, the management company is well aware of the challenges that are currently out there with this school and is committed with this school like with other schools. The company has never had a school fail and does not plan on doing it now with 80 schools in their network. They are determined to succeed at this school because they believe in the Homestead market.

ABAC Chair Mr. Wendelken inquired about the historical enrollment trend for the last three years on an annual basis. Mr. Benson did not have that information and suggested that maybe some of the other participants from the management company might be able to provide this information. In response, Ms. Myrna Laine-Hyppolite from Charter Schools USA stated that last year's enrollment was about 769, and this year's enrollment is 787, an increase relative to last year's numbers. Mr. Wendelken inquired about the enrollment from prior years; however, Ms. Laine-Hyppolite did not have that information. In response, ABAC Vice-Chair Mr. Christopher Norwood stated that according to the Charter School's online report of this school, the enrollment in 2017 was 921, in 2018-19 it was 835, and in 2019-20 it was 799, thus reflecting that the enrollment has been declining every year. Nevertheless, the school's representative had just stated that the enrollment last year was actually lower than what this online report is stating, because the school's representative used the number 769 when the reports indicates

it is 799; and additionally, she had indicated that in 2021, the enrollment went up to 780 or something like that. Mr. Benson responded that this was not true and that the school's enrollment had increased in the current year. Mr. Wendelken asked whether these enrollment numbers are audited. Mr. Benson replied that they are not audited.

Mr. Goodman indicated that one key point is that the school's enrollment has hovered at a little less than 800 for the last three years, but for a 3 or 4-year period, in the years when the school opened, 2nd, 3rd and 4th year, it was regularly close to the school's capacity, which was around 1,200 students. Basically, in the old scenario it was close to 1,180 or 1,165 students and the last 3 or 4 years it has basically gone to that level of slightly below 800 and that's the problem. ABAC member Mr. del Busto commented that whatever plans are in place, they are not working, this school is repeatedly coming up the same, and his concern is that it will get worse and it's going to be too late. He said that he appreciates the effort to come up with a plan, but the plan is not working, financially it is not working.

According to Mr. del Busto, this Committee has seen the school when the attendance was even higher than now and it was not working, so what are the alternatives for this school going forward because he does not want to see this next year and go over the same thing. He wanted to know the options. Mr. Goodman responded that the school has been relying on the goodwill of its management company to waive these extensive rents and management fees. He noted that yesterday, the OMCA team had a discussion with the management representative of Charter Schools USA and Keys Gate and he believes it will be a good idea for the sponsoring District to be privy as to the source of those funds, which is Charter Schools USA. Therefore, he would like to discuss today the idea of making it a condition for the school's contract renewal that the management company submit their annual audited financials to the District, similar to a bank when they make a loan, they would like to be privy if there is a guarantor on the loan. This idea would be subject to legal review and other possible complications, but it seems something that from an auditing standpoint, could be proffered for consideration.

Mr. del Busto stated that if the Committee is not satisfied with that plan, and he does not see the viability in that plan, looking at not only students but also financials, what are the alternatives available to this Committee. Mr. Goodman responded that, as far as the mechanism of what the District and this Committee's alternatives are, he would defer to Ms. Tiffanie Pauline, Charter School Office and to Mr. Walter Harvey, Board Attorney. Mr. Wendelken asked Mr. del Busto if this is how he would like to proceed. Mr. del Busto responded that his ultimate goal is to have a resolution and not keep on looking at this repeatedly; and whatever decisions need to be made they should be made now or once the Committee receives all the data and all the facts and go from there.

Ms. Pauline stated that she believes the question she heard is what the Committee's responsibilities or what purview or authorization does the Committee have, and she would defer to Mr. Harvey to read the policy for interpretation. However, regarding the District's purview in this case, she said that there is a renewal process and statute that speaks to reasons for non-renewal as discussed in an earlier meeting. She explained that there are provisions that speak to the financial viability of schools that has been reiterated a couple of times, and this school is not in a condition of financial emergency nor is it in a deteriorating financial condition according to the Statute. The issue here today is that there are still some concerns surrounding this school, and the school has agreed to do a voluntary financial recovery plan, which it did do and did place some focus on the concerns. Ms. Pauline further stated that she would assume that short of having good cause not to renew the school, the only option from a District perspective would be to continue to monitor this school as it has been done up to now, and perhaps the school would consider continuing the financial recovery plan just to ensure that it stays on target with the strategies and the goals that have been established. She then deferred to Mr. Harvey regarding the Committee's authorization as it relates to the review of these financial statements.

School Board Attorney Mr. Walter Harvey stated that, pursuant to Board Policy 6835 and 6840, the Audit and Budget Advisory Committee does review audits and then basically makes recommendations or provides advice to the School Board, the Superintendent and District staff; therefore, this Committee through its advisory capacity can make recommendations for action. Ultimately, the decision not to renew goes through a committee process that is conducted through the Charter Schools Office, and

recommendations are made with regard to the renewal process; but this Committee can make recommendations in terms of how that can be handled. Obviously, Keys Gate [Charter High School] is a very frustrating example in the sense that it appears that when you look at a definition of what constitutes a financial emergency, it appears that the conditions would exist but for the management company stating that it is going to forbear or forego its rights to enforce its rents, etcetera, which are contractually set forward. In most cases, that would be a basis for a financial emergency that would put into effect all these other requirements under statute with a plan submitted to the Commissioner, etcetera, and then monitoring for a year or two. Regarding this school, he has not seen before where, over an extended period, a management company has basically forgone its contractual rights to enforce its rents and management agreement fees; and that is why this is the actual situation. This Committee sees that issue, identifies that issue and there are recommendations, the Committee can certainly make those recommendations. Ultimately, the authority over the charter itself, it goes to a recommendation through the committees and through the Superintendent; and the Board is the ultimate authority that would decide how that would be handled. Mr. Harvey wanted to share that for the record.

ABAC member Mr. Juan del Busto stated that he would feel more comfortable if he saw all the financials. The financial he sees now, to him are more than a financial emergency, they are waiving all the rent and they are putting money in, they don't have the student body to support the financials, \$2.7 million was waived or given to the school. If that isn't a financial emergency, someone needs to define for him what a financial emergency is. If the Committee does not see all their financials from the school site and their supporting organizations, how can the Committee make an educated decision. Mr. Harvey responded by stating, that in regard to financial emergency, he is aware that in the past this was addressed very differently; but under the current charter school statute 1008.345 which governs terminations, financial emergencies 1008.33, those provisions have basically statutorily defined how a termination process works. There is a statutory renewal process which is also different. He stated that he did not know what the current term of this charter school is or when it expires, but through that charter renewal process, there is some information that can be requested to see if they meet all the conditions of viability, but again this is a unique circumstance.

Alternate ABAC member Dr. Nancy Lawther followed up by asking whether this body (ABAC) could recommend non-renewal, and the Board sustain that recommendation based on financial emergency. She said that this decision might still be appealable at the State level through the State Charter Review Board and could still be reversed. Mr. Harvey replied that obviously it could happen, but when it comes to non-renewal, typically there is a staff committee that determines whether a charter would be renewed based on its statutory criteria that is set forward. Nevertheless, this Committee has obviously authority with regard to reviewing financials. Charter schools have to submit their financials every year and so this Committee certainly can oversee that, and certainly it should be satisfied with information it gets from the charter schools. Additionally, Mr. Harvey stated, that a particular recommendation in terms of whether it is renewed or not renewed, that would be a recommendation that would go through a staff committee that goes to the Superintendent.

School Board member/ABAC member Ms. Mari Tere Rojas wanted to address Ms. Pauline because she oversees all the charter schools and Ms. Rojas is familiar with the process they have in place, when Ms. Pauline's staff members see that there is a possibility of a problem, and how thorough they are; and her office has teams that work very cohesively with the charter school sites. Ms. Rojas was happy to see that the school voluntarily prepared for the District a corrective action plan which primarily was going to discuss the strategies to increase enrollment over a five-year period. Ms. Rojas inquired whether the plan was available for the Committee to review at this time. Ms. Pauline responded that her office has the plan; but was not sure whether OMCA had it and made it available to the ABAC members. Ms. Rojas stated that she thinks that without a doubt she would like to make sure that they are able to look at the plan, because based on what she sees, it projected an enrollment of 810 students during the current year and it fell short of the projection; but they have this voluntary plan they have submitted which apparently is supposed to be comprehensive, and she would like to look at that knowing that staff at the school site and the management company are working arduously and committed to taking corrective action. She noted that there are a lot of schools with enrollment issues, even the District's own schools, and it is imperative that those numbers go up, especially in the charters for the reasons

previously alluded. She further noted that the pandemic has created massive disruption at all the schools; namely, at charter schools, parochial schools, public schools, everybody and is imperative that the information be reviewed.

Ms. Rojas then inquired about the school's academics. Ms. Pauline responded that it is a B-rated school and is performing well academically. Ms. Pauline added that a financial emergency as defined in the Florida Statute speaks to the following: failure to pay loans or debt when due; failure to pay creditors within 90 days; failure to pay employee taxes, federal contributions or pensions; failure to pay wages and salaries or benefits for one pay period. Additionally, Ms. Pauline addressed another question on the process and stated that there is a committee assigned to reviewing the entire terms called the "high stakes" program review, which looks at the entire term of the charter, not just this and last year, but the entire term. This charter school had a five-year term and it was extended last year by one year to place them on the voluntary corrective action plan and looking at the results, looking at the projections, as well as the operational, academics, governance and finances will be taken into consideration by the committee and a recommendation will be made to the Administration; and then through the Superintendent a recommendation for renewal will be made to School Board through a Board item.

Ms. Rojas stated that she had heard Ms. Pauline say earlier that in her opinion and based on the monitoring that's being done, and the assistance that is being provided, that she would recommend continuing to monitor the school for a year or two. Ms. Pauline stated that one of the options that is available to the District, is that in the event there is no violation of law or any good cause for non-termination, it would result in continuing monitoring the school as is being done now. Ms. Rojas responded, going back to Ms. Pauline's statement, in the event there is no violation, for the record, is there evidence of any violation. Mr. Goodman responded that there is no evidence of violation.

Regarding the second part of the statement with reference to continuing to monitor for a year or two, Ms. Rojas inquired whether this is feasible at this time. Ms. Pauline was not sure of the question. Ms. Rojas restated that since a response was just given that there is no violation, then regarding the option to monitor for a year or two, to continue working very closely with the school and possibly as her colleague stated, asking for the financial statements to be submitted because the numbers are critical, crucial to have accurate numbers. However, going by the numbers in attendance and enrollment that she has in front of her, but that disclosed a little discrepancy during this discussion, she would like to have the five year plan as well as accurate numbers to review and study the information. Furthermore, hearing that the school is a B-rated school with good academic standing right now, and the fact that the community it serves has a great deal of need, she noted that one must be very cautious when making a decision moving forward. Ms. Rojas concluded by reiterating that she would like to have all the information before going into any type of recommendation at this time, thanked Ms. Pauline for her responses, and would appreciate if the information could be provided to her colleagues as well because it would be imperative to have that and know what the school has voluntarily stated that they were going to submit.

Ms. Pauline responded that she would communicate that plan to OMCA, but to clarify for the record, when speaking specifically to compliance or violations as it relates to finances specifically, the answer to that is accurate; but her office is not done with the program review, they are close to being done but for the record she doesn't want to say that it is a done deal. They have a process and will complete the process and route up the findings from the high stakes review. To Ms. Rojas' inquiry as to the anticipated timeline for completing the final information/review, Ms. Pauline replied that she does not have the schedule in front of her; but over the next couple of months there are about 12 renewals up this year, so they are in the queue. She added that since they went through a lot of the process last year, they are just buttoning things up this year, but if she has to estimate it will be a couple of months.

Mr. Goodman reiterated that the definition of a financial emergency statutorily is very well prescribed, not able to pay payroll taxes, that type of thing, and the school does not meet that, the school does not meet a financial emergency, but the reason they are not meeting it is because the management company is waiving these fees and contributing money. The point of discussion to bring to the audit committee was the idea that the sponsoring District would be privy to the management company's

financial statements so that the Committee can be comforted that the management company has the financial wherewithal to continue supporting the school.

ABAC Vice-Chair Mr. Norwood referred to the analysis reflected in the District's Charter School Office online report, from year 18 to 19 the expenditures were up to \$14 million and it was \$8 or \$9 the year before, at the same time while the enrollment was declining. He wanted to know why expenditures went up during that year. Mr. Goodman committed to obtain that information and provide it to Mr. Norwood and the rest of the Committee.

ABAC member Mr. Miranda responded if he could make a recommendation, if the Committee can look at the financial statement of the management company. ABAC member Mr. Stephen Hunter-Johnson responded just for the record that it sounded like Mr. Miranda agreed with Mr. Goodman's recommendation that the Committee should be provided with the management company's financials. Mr. Miranda agreed. Mr. Hunter-Johnson responded that if Mr. Miranda is asking the question, if that is the recommendation that Mr. Miranda is moving on. Mr. Miranda responded in the affirmative. Then Mr. Hunter-Johnson responded that he would second that motion. Mr. Wendelken requested from Mr. Miranda to state the motion and Mr. Miranda responded to request from the management company its audited financial statements.

ABAC Chair Mr. Erick Wendelken inquired from Mr. Harvey is that is something that the Committee can request from an independent third party, such as the management company. Mr. Harvey responded that they are an independent party, a private company; however, it's certainly a reasonable request to make, and they can wait and see what the response is. In the past, he noted that the District has requested other documents, some that were public record and some that were not, and they did provide those documents, so he thinks this is a reasonable request, understanding the nature of the request, and what the potential responses could be. Mr. Wendelken then mentioned that having a financial statement doesn't mean that the independent party will forgive their rent collections for another year, and this request is just to see if they have money or not. Mr. Harvey agreed that this is correct.

Mr. Wendelken tried to restate the motion for Mr. Miranda. He stated that the motion was for the management company to provide its audited financial statement for their 2019-20 fiscal year. Mr. Goodman clarified that it would be annually submitted so a full review can be done every year. He noted that next year the school will continue to need help from the management company; and his suggestion would be that the motion requires it be annually submitted to the sponsor. He added that in the banking world it's not an unreasonable request at all. The District has the oversight body and the sponsor is expected to accept that they are going to be supported and funded to keep them out of the financial emergency. The District should be able to see where the money is coming from, and whether the management company does in fact have the money. The Chief Auditor Ms. Gonzalez wanted Mr. Goodman to clarify how the management company would be submitting the annual financial statement to the District, whether it should be through the Charter School Office or through OMCA. Mr. Goodman responded that the submittal should follow the same path that charter schools follow for submitting their audited financials, which is through the Charter School Office.

ABAC member Mr. Juan del Busto mentioned that the management company lost its independence by waiving the \$1.7 million and the \$424,000 in incremental rent, and by donating \$620,000. He noted that the Committee has spent time on speculation, that it cannot make an educated decision unless the financials for both the individual entity and the management company are provided for review. He does not see how the Committee can make a sound decision on this school, and observed that the Committee has discussed this school for 3 or 4 years, maybe 5; and will continue talking about it for a 6th or 7th year, unless there is agreement on evaluating what the financial condition is, and this needs to be done now as soon as the information is received.

ABAC Chair Mr. Wendelken determined that it is time to address the motion initially proffered by ABAC member Mr. Miranda. The motion was to request the management company's financial statement on an annual basis, which would tie to the charter school financial statement's year in order to have it for review during audit. ABAC member Mr. Stephen Hunter-Johnson then inquired whether Mr. Miranda

would accept a friendly amendment to the motion in terms of this request being maintained as long as the management company is subsidizing the operations of the school in question. Mr. Miranda agreed to accept the friendly amendment, and Mr. Hunter-Johnson seconded the motion with the friendly amendment. The motion was **to request that Keys Gate Charter High School provide the management company's financial statement on an annual basis for review and analysis, as long as the management company is financially supporting the school.** That motion carried and was unanimously approved by the ABAC members.

Next, ABAC member Mr. Hunter-Johnson stated the next motion on what is presented before this Committee, to travel along with the recommendations that were just properly voted on as conditional approval, since he stated that the charter school's audited financials have to move from here, they just can't stay. He then moved to transmit the charter school's audited financials to the Board along with the ABAC's recommendation.

Mr. Wendelken had a question for Mr. Benson with regards to the presentation of the budget for the fiscal year as reflected in page 14 of the report, and in regards to the original final budget vs. actual. He inquired whether the management fee is reflected as an original final budget item expense. Mr. Benson replied that he does not believe it is reflected, they may not have budgeted for the management fee. Mr. Wendelken further stated that going into the year under the budget and they know they were not going to pay this. Mr. Benson responded that he does not make the budget for the organization, his firm just audits the books. He noted that the management company, along with the Foundation board determines the budget for the school. Then Mr. Wendelken responded that the board and the management company had identified that the management fee would be waived prior to the year. Mr. Benson responded that it appears to be the case; but noted that he is not involved in that process. Mr. Wendelken responded that since Mr. Benson had made comments for outside of the audit year as well, he was trying to get Mr. Benson's thoughts on something that occurred during the audit year.

Mr. Benson responded that he was referencing that they stand firm, that they have not met the conditions for a financial emergency, and that the deficits may look large in totality over all the years, as well as the current year. However, if the depreciation is added back, then there is a surplus this year and there is a surplus history to date along with many other things which is that they have voluntarily cooperated throughout the year, they are a B school. They operate several other successful charter schools in the Miami-Dade County. He believes the Foundation's board hopes that all of that information in totality goes into consideration of their charter renewal. Mr. Wendelken responded that adding back depreciation may not subtract the contractual obligations. Mr. Benson responded that was a decision that the Foundation board and the management company made. Mr. Wendelken responded that at the inception, it is not included as a line-item expense in their budget. Mr. Benson referred to Ms. Pauline to confirm that with the management company and the Foundation board; but looking quickly at the page, he said that it doesn't appear it was budgeted.

Going back to his initial inquiry, Mr. Norwood mentioned that he had located the online information regarding the expenditures. He noted that in 17-18, the expenditures were \$9,597,000, in 2018 it was \$9,039,000 million, in 2019-2020 it was \$14,065,000. So, his question is during 18-19 to 19-20, there was an \$5 million expenditure increase when the enrollment was going down. He was curious as to what those expenditures represented. Mr. Benson believes it related to the refinancing. He said that upon review of the audit report, this increase represents the renegotiation of the capital lease that took place. Again, that's significant because the same five-year financial plan that was handed in to Ms. Pauline, it was also handed to the underwriters who refinance the school debt in the current fiscal year.

Mr. Wendelken pointed to the Committee that they must go back to the point where the financials were requested, and to move this item to the School Board. The motion initially proffered by ABAC member Mr. Stephen Hunter Johnson to transmit these financials to the Board with the conditional request was seconded by ABAC member Mr. Juan del Busto. That motion carried and was unanimously approved by the ABAC members that **the audited financial statement of Keys Gate Charter High School with the conditional request from the ABAC,** be received and filed by the School Board.

Next, Ms. Gonzalez reminded the Committee that they had finalized the discussion for only one charter school; however, there are 49 other charter schools' financials that need to be disposed of by this Committee. Mr. Wendelken mentioned that there may be a misunderstanding of what the motion was. Mr. Norwood inquired whether they were moving the whole charter school item as a whole, and Mr. Hunter-Johnson clarified that his motion involved only one charter since it was the only one that had a specific recommendation attached. He noted that the other schools would not have that recommendation. All agreed with his observation. Then Mr. Wendelken clarified the item that was moved to the Board was for Keys Gate Charter High School only, whereby the financial statements are being transmitted to the Board pursuant to the motion provided by Mr. Miranda with the friendly amendment provided by Mr. Hunter-Johnson, which is to request the financial statements of the management company for the period by which they are sponsoring the school.

Ms. Gonzalez noted that pending discussion is one other school with some issues, other schools with management letter comments and deficits, and a group of schools with no fiscal issues. She stated that she was not sure if anyone wanted to address a particular school. Vice-Chair Mr. Norwood mentioned that Downtown Doral Academy had a large deficit and inquired as to the reason for that. Mr. Goodman responded that when charter schools undergo the bond funding for their facilities, it initially creates a large deficit net position. The net position is based on full accrual accounting and over time that should be reduced. In this case, the school's deficit net position has in fact gone in the right direction, and more importantly their Fund Balance, which is based on modified accrual and a short term look at their financial picture; and that balance has increased by \$1.6 million to over \$10 million. Therefore, this would explain why they have that deficit net position and why the auditors don't have an issue with it other than to bring it to this Committee's attention.

After a brief silence, the Chief Auditor inquired if there are any other questions on the rest of the charter schools included in this item. No other questions were posed.

There being no additional questions or comments, a motion was made by ABAC Vice-Chair Mr. Christopher Norwood, and seconded by ABAC member Mr. Stephen Hunter Johnson, which carried unanimously, to recommend that the **remaining 49 of the 50 Charter Schools' Financial Statements**, be received and filed by the School Board.

Regarding the motions related to this agenda item, Ms. Gonzalez clarified that the Committee is transmitting to the Board the audited financials of Keys Gate Charter High School with the conditional provision for requesting that Keys Gate Charter High School provide the management company's financial statement on an annual basis for review and analysis as long as the management company is financially supporting the school; and is transmitting to the Board the audited financials of the remaining 49 charter schools without any comments.

Ms. Gonzalez stated that this was the last of the action items in this meeting's agenda and the rest of the reports are informational items, meaning that the Committee doesn't have to make any motions.

11. Monthly Financial Report Unaudited-For the Period Ending November 2020 (INFORMATIONAL)

Ms. Gonzalez introduced the Monthly Financial Report Unaudited for the period ending November 2020. She noted that these financials were presented to the Board and filed at its January meeting; and that the CFO Mr. Ron Steiger and Controller Ms. Daisy Naya are in attendance for any questions.

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

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

The Chief Auditor presented the OMCA and CIU Activity Reports. She explained that the report shows what the Internal Audit Department (namely OMCA) has accomplished since the last meeting in December, what reports OMCA staff is working on, and those audit projects that are in the planning stage. Regarding the Civilian Investigative Unit, the report lists how many cases the unit has completed so far and the number of open cases. The report also illustrates the HR-related issues of this office, and any recent hire. The Chief Auditor explained that in alignment with the office's succession management plan, interviews have been conducted to fill open positions, and staff from within the office has been promoted to those positions following all established HR protocols. The report also reflects the office's participation in meetings, whether held in person or in a virtual platform. Alternate ABAC member Dr. Nancy Lawther said that she appreciates the general summary of the office's activities which crystalizes the office's accomplishments. Ms. Gonzalez thanked Dr. Lawther for her appreciative comment.

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

OLD BUSINESS: Update: Award of RFP 19-081-CM-External Independent Auditing Services (INFORMATIONAL)

An update was provided on the award pertaining to the External Independent Auditing Services.

Ms. Gonzalez mentioned that as previously stated, the first item on this agenda was to approve the minutes of the Special ABAC meeting. At that meeting, once the Auditor Selection Committee made a recommendation for an external audit firm, it directed Procurement Management Services to meet with the vendor and negotiate a final and best pricing. The results of that exercise is memorialized with School Board Agenda Item E-151 that was approved by the Board at its January meeting. The vendor agreed to lower the fee of \$295,000 for the basic financials to \$280,000 and to also lower the fee for the Single Audit from \$45,000 to \$35,000. The fees are documented on E-151, as well as the action items where they are awarding the proposal to RSM US LLP and the subcontractors which are Anthony Bronson, the African American certified minority firm, and Sanson, Kline, Jacomino, Tandoc and Gamarra, the Hispanic certified minority firm. The Chief Auditor also stated that she is working with staff from the School Board Attorney's office to draft the contract for this engagement which will begin in May of 2021.

ABAC Vice-Chair Mr. Christopher Norwood thanked the Internal Audit Department and Procurement Management Services for this undertaking. He said that this was his first interaction with the Procurement Director and staff throughout the long process, which was not limited to just that meeting day, but that involved preparation for it. He also wanted to thank the Chair of that Committee, School Board member/ABAC member Ms. Mari Tere Rojas for running such a good meeting. The meeting involved spirited discussions on things, but ultimately, the Committee made a good selection. So, he just wanted to thank everyone for their work on that.

Ms. Gonzalez thanked Mr. Norwood for his comments because this was a lot of work. She also thanked Procurement Management Services, specifically, Mr. Mario De Barros and Ms. Charisma Montfort who did a great job. Regarding the ABAC members, she gave them kudos for a job well done, and stated that they contributed tremendously, they attended the meeting in person, even under pandemic conditions, they took the time to review the candidates; and all this involved a spirited discussion as Mr. Norwood stated, with the intent to make the best selection for the Board.

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

NEW BUSINESS

Ms. Gonzalez brought to the Committee's attention that the next ABAC meeting is on March 9, 2021, and this meeting date coincides with the next GOB Committee meeting which is scheduled on that same day starting at 3:00 pm. She inquired if ABAC members would have any objections moving the start of the ABAC meeting from 12:30 A.M. to 10:00 A.M., so that there would be sufficient time to discuss the ABAC agenda, and have the room available for the GOB members to hold their meeting at 3:00 P.M. Ms. Rojas questioned Mr. Harvey whether there would be a problem making this change. Mr. Harvey responded there is no problem, as long as the meeting is posted properly in accordance with the Sunshine Law.

Ms. Gonzalez mentioned that starting at 10:00 A.M. would give the ABAC members ample time to meet, and would also allow an hour between committee meetings for Plant Operations to refresh/clean the room and for WLRN to set up the room for the next meeting. She added that if for some reason the GOB meeting was to be postponed, she could always bring it back to the ABAC members in the event they would like to meet at 12:30 P.M. as usual. Ms. Rojas responded it's a good recommendation; however, if there is a possibility of another change in the time of this meeting, OMCA must ensure that all rules and regulations regarding meeting notices and such are duly observed. Ms. Gonzalez agreed. Mr. Norwood inquired if the change in meeting time required a vote from the Committee. Mr. Harvey responded that there's no need for a motion, but if the assembly wants to make a motion, it can do so. Mr. Wendelken inquired if any of the members had any objections in changing the meeting time to 10:00 A.M. None objected to this request for time change and it was agreed to meet at 10:00 A.M on March 9th.

No other questions or comments were posed. This item 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 by ABAC member Mr. Stephen Hunter Johnson, seconded by ABAC member Mr. Juan del Busto and unanimously voted on and approved by the ABAC members, the meeting was adjourned at **3:22 p.m.** Ms. Gonzalez thanked everyone and hoped to see all members back in the Auditorium on March 9 at 10:00 A.M.

MTG: