

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
March 17, 2009**

The School Board Audit Committee met on Tuesday, March 17, 2009 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Ms. Betty Amos, Chair
Mr. Robert Schomber, Vice Chair
Ms. Perla Tabares Hantman, Board Member
Mr. Manuel A. Gonzalez
Ms. Susan Marie Kairalla
Mr. Willie Kemp
Mr. Jose F. Montes de Oca
Mr. Jeffrey B. Shapiro
Mr. Frederick F. Thornburg, Esq.
Mr. Nick Tootle

Non-Voting:

Mr. Allen M. Vann

Member Absent:

Mr. Peter A. Lagonowicz

Call to Order

Ms. Amos called the meeting to order at 12:34 p.m.

Introductions

Ms. Amos asked everyone present to introduce themselves. The following persons were present:

Dr. Lawrence Feldman, School Board Member	Ms. Daisy Naya, Asst. Controller
Mr. Luis M. Garcia, Acting School Board Attorney	Mr. Robert M. Brown, Administrative Director
Mr. Freddie Woodson, Deputy Superintendent	Ms. Cynthia Gracia, Administrative Director
Dr. Richard H. Hinds, Chief Financial Officer	Ms. Penny Parham, Administrative Director
Ms. Judith Marte, Chief Business Officer	Mr. Nelson Perez, Administrative Director
Mr. Jaime Torrens, Chief Facilities Officer	Ms. Ana M. Rasco, Administrative Director
Ms. Millie Fornell, Associate Superintendent	Ms. Jackeline Fals-Chew, Administrative Assistant
Ms. Valtena G. Brown, Asst. Supt.	Ms. Denise Izquierdo, Administrative Assistant
Ms. Vera Hirsh, Asst. Supt.	Ms. Vivian Lissabet, Administrative Assistant
Dr. Daniel Tosado Asst. Supt.	Ms. Libby Perez, Administrative Assistant
Ms. Enid Weisman, Asst. Supt.	Ms. Mindy McNichols, Senior Attorney
Mr. John Schuster, Chief Comm. Officer	Ms. Meyme Falcone, District Director
Ms. Maria T. Gonzalez, Asst. Chief, School Audits	Mr. Julio C. Miranda, District Director
Mr. Trevor L. Williams, Asst. Chief, Operational Audits	Ms. Tiffanie Pauline, Executive Director
Ms. Connie Pou, Controller	Ms. Rhoda Shirley, Executive Director
	Ms. Abby Walker, Executive Director

Ms. Nicki Brisson, Director
Mr. Jon Goodman, Director
Ms. Tamara Wain, Director
Ms. Cheryl B. Nasai, Director II
Ms. Margarita Betancourt, Director
Mr. Dylan Hughes, Supervisory Agent
Ms. Edwina Hoffman, Instructional Supervisor
Ms. Melissa Latus, Supervisor
Mr. Carlos Manrique, Supervisor
Mr. Luis Baluja, Audit Supervisor
Mr. Michael Hernandez, Auditor
Ms. Nelly Fuentes-Lacayo, Auditor
Ms. Bertha Valcarcel, Staff Member to Ms.
Hantman
Ms. Lourdes Amaya, Admin. Asst.
Ms. Elsa Berrios-Montijo, Admin. Sec.
Ms. Sheryl Ragoo, Admin. Sec.

Mr. Dan Ricker, Watchdog Report
Mr. Michael Pattillo, E&Y
Ms. Tanya Davis, S. Davis & Assoc.
Mr. Manuel Alonso-Poch, Academy Arts & Minds
Mr. William Machado, Academy Arts & Minds
Ms. Tanya Jackson, Special Agent, IG

1. Approval of the Minutes of the Audit Committee meeting of January 27, 2009

There were several changes requested by the Committee, for that reason Ms. Amos deferred the minutes to be approved at their next scheduled meeting.

EXTERNAL AUDITS:

2. Ernst & Young, LLP's Audit Report: The School Board of Miami-Dade County, Florida Single Audit Report (in accordance with OMB Circular A-133) Year ended June 30, 2008

Mr. Pattillo presented the results of the Single Audit. Ernst & Young (E&Y) completed its audit of the District's major federal programs totaling \$416.6 million for fiscal year ended June 30, 2008.

Mr. Pattillo reported that the Miami-Dade County District School Board prepared its basic financial statements in accordance with prescribed financial reporting standards. Furthermore, E&Y is of the opinion that the District has established and implemented procedures that generally provide adequate internal control over District operations. The District also complied with significant provisions of laws, administrative rules, regulations, contracts and grant agreements.

While there were no material weaknesses in internal controls, E&Y reported significant deficiencies in the year-end financial closing process and compliance issues with regard to one federal grant: Refugee and Entrant Assistance – Discretionary Grants. These compliance issues did not result in any questioned costs. This \$4.9 million dollar grant

represents only about 1% of the total federal assistance provided to the School District during the fiscal year audited.

After some discussion, a motion was made by Mr. Schomber, seconded by Mr. Shapiro, and carried unanimously, to recommend that the Ernst & Young Single Audit Report Fiscal Year Ended June 30, 2008 be received and filed by the School Board.

3. (a) Review of the Remaining Twenty-one Charter Schools' Financial Statements

(b) Follow-Up Review of Charter School Financial Statements

Mr. Williams provided background information on the charter schools being presented and explained that the remaining 21 audited financial statements are the third and final group from the 59 charter schools operating during FY2007-08. He noted that as of June 30, 2008, the financial position of these 21 schools remained very strong.

In addition, the two follow-ups from the previous Audit Committee meeting were discussed.

Mr. Williams reported that despite the revised action plan submitted by the Academy of Arts and Minds Charter High School, he believes strongly that the District should continue monitoring its financial condition.

Dr. Feldman inquired about Miami Community Charter and asked whether other than monitoring, does the District administration provide any kind of assistance to this school.

Ms. Pauline responded that Miami Community Charter is receiving the same services that the Miami-Dade County Public Schools receive. For example, she noted that the services include reading coaches (instructors), monitoring conducted along with the state, instructional reviews and, periodically District and State staff conduct check ups and follow-ups.

Mr. Vann informed the committee that management asked and the Office of Management and Compliance Audits has agreed to conduct an audit of the Tree of Knowledge Learning Academy, which has been in operation for less than a year, but there may be serious problems.

Regarding the Academy of Arts and Minds, the Committee members inquired about an apparent conflict in the fiscal years addressed in the school's March response to the Office of Management and Compliance Audits and how the school will cover the current deficit, which amounts to approximately \$150,000.

Mr. Alonso Poch the school founder, explained the written response made reference to prior year projections that were not realized in the year audited. He also stated his commitment to make a personal contribution to the school to eliminate the current deficit.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Mr. Schomber, and carried unanimously, to recommend that the financial condition of Academy of Arts and Minds continue to be monitored by the Office of Management & Compliance Audits. In addition, the Committee accepted the revised financial recovery plan and revised audited financial statements from Miami Community Charter Middle School, as well as the financial statements from the remaining schools and recommended that they be received and filed by the School Board.

INTERNAL AUDITS:

4. Office of Management and Compliance Audits' Activity Report

Mr. Vann summarized the activity report and explained that the audit projects that are currently in progress will be presented to the Committee by the end of the year. He mentioned in "Other Activities" that the Audit Department continues to be actively engaged as the audit liaison to the State of Florida Auditor General's team of examiners, who are reviewing the District's reported number of full-time equivalent (FTE) students under the Florida Education Finance Program (FEFP) and number of students transported for the fiscal year ended June 30, 2008. Mr. Vann explained that the Audit Department has facilitated communication between district staff and Auditor General's audit staff and, at the present time, approximately 90 percent of the school sites selected for the audit visits have been completed by the Auditor General. They should conclude their fieldwork and provide preliminary findings in April 2009.

In addition, Mr. Trevor Williams has been invited to serve on a Council of the Great City Schools' review team of facilities operations of the Atlanta School system. This is a testament and an acknowledgement of the fine work that the Office of Management and Compliance Audits has been doing in the area of capital programs and particularly construction.

Mr. Montes de Oca asked Mr. Vann if he had received the KPMG E-rate Examination report concerning the E-rate program. Mr. Vann said that he had and that he will forward it.

This Activity Report is for informational purposes only; therefore, no action by the Audit Committee is required.

5. Internal Audit Report – School Audit Selected Schools

Ms. Gonzalez summarized the Selected District Schools' report, which consisted of the audit of 39 schools, of which 38 of the schools are in the South Regional Center. The remaining school, which reports to the North Regional Center, was audited as a result of a change of principal. She explained that the audit disclosed that the financial statements of the schools were fairly stated and that 38 of the 39 schools were in general compliance with prescribed policies and procedures. However, at one school, controls over the recordkeeping of student

activities and the disbursement function needed improvement. She also explained that property audit results were satisfactory at most of the 56 schools being reported.

The Committee expressed concern about principals that have left one school for another school and leave behind financial issues. Mr. Woodson pointed out that audits are conducted immediately after a principal exits a school and the results are, therefore, published after the transfer has taken place.

Ms. Amos commended Ms. Gonzalez on a good report.

Mr. Montes de Oca took the opportunity to acknowledge the performance of Dr. Machado, Director of the District's E-Rate on the audit conducted by KPMG. He noted that Dr. Machado has again done an outstanding job, which has been the trend in several audits by KPMG of the District's E-Rate Program.

There was no further discussion. A motion was made by Mr. Schomber, seconded by Mr. Shapiro, and carried unanimously, to recommend that the Internal Audit Report – Selected Schools be received and filed by the School Board.

6. Internal Audit Report – Summer Services

Mr. Williams introduced the report and noted that this audit reflects the District's Summer Services for Summer 2007 and Summer 2008. He explained that the summer school budgets were reduced drastically, from \$30 million in Summer 2007, to \$6.8 million in Summer 2008, due to funding cutbacks.

Mr. Williams explained that the District's mandatory summer school program appears to be effective, and funds were properly spent. However, the effectiveness of most non-mandatory (district priority) programs could not be determined because benchmarks and performance evaluations for those programs are not performed. While funds appeared to have been expended with propriety, some control deficiencies were discovered in the budgeting process for summer school and in contracting practices, which both need improvement. Finally, he said, the Summer Services Department complied with applicable laws and rules.

The Committee asked some questions, but overall they were satisfied with the performance of the Summer Services program.

There was no further discussion. A motion was made by Mr. Schomber, seconded by Mr. Gonzalez, and carried unanimously, to recommend that the Internal Audit Report – Summer Services be received and filed by the School Board.

7. Follow-up Review of Audit of Payroll and Timekeeping Practices at Maintenance Operations and Facilities Construction

Mr. Williams introduced the report and explained that the Payroll and Timekeeping Practices at Maintenance have been reviewed for actions taken by management to implement the recommendations included in a prior internal audit report that was published in October 2005. He also explained that this review shows that problems still exist.

Mr. Torrens provided a detailed explanation of the corrective actions already being implemented.

Ms. Hantman thanked Mr. Torrens for his efforts in correcting the issues noted in the report. However, she referred to several communications from the prior Superintendent, according to which, the overtime issues had been corrected. Ms. Hantman noted that apparently, after reading this follow-up report, it does not seem that the issues have been corrected.

Mr. Montes de Oca referred to page 8 of the report and expressed concern about the payroll cost in excess of \$105,000 that is in question. He suggested that if there is no agreement on whether the issue is recordkeeping versus attendance, this matter should be referred to the Office of the Inspector General for investigation.

Mr. Thornburg agreed with Mr. Montes de Oca's comments and added his view that there may be conflicts between our payroll internal procedures and the Fair Labor Standards Act in that the district's policies are more "liberal" than is required. The Committee agreed, and Mr. Thornburg recommended the administration prepare an action plan to resolve these issues, which may require reopening negotiations with the labor unions.

Ms. Amos referred to page 2 and expressed concern that the payroll clerk responsible for completing the payroll attempted to bring the discrepancies to her administrators' attention and, during the course of the audit, the payroll clerk was transferred to another department.

Mr. Torrens explained that there were prior issues with the payroll clerk before this audit and the transfer had nothing to do with the issues noted in the audit report.

Ms. Amos suggested deferring this matter to the Superintendent's Office for further review. .

Dr. Hinds, on behalf of the Superintendent, explained that this matter is not a payroll control issue but a violation of procedures.

Dr. Feldman commented that both, the responsible administrator and clerk, should be held accountable for not following the payroll procedures and that travel logs such as those used at the schools should be used to document where the employees are working. Dr. Feldman also asked for a clear explanation as to why the payroll clerk was transferred in order to show there was no retaliation. He asked that the explanation also include a comment about the requested investigation of the undocumented payroll discussed in page 8 of the report.

Mr. Vann commented that he will address all of Mr. Feldman's points with the Inspector General.

There was no further discussion. A motion was made by Mr. Thornburg, seconded by Ms. Hantman, and carried unanimously, to request Dr. Hinds to come back and address the issues of possible conflicts with Fair Labor Standards Act so we may dispel our due diligence concerns and find out how those possible conflicts are going to be rectified. The motion also included holding this report until a follow up is received regarding the days and monies in question.

OTHER BUSINESS:

8. Update on Changes to Board Rules:

(a) Review of Proposed Changes to Board Rule 6Gx13- 2C-1.14 Office of Management and Compliance Audits

(b) Review of Proposed Changes to Board Rule 6Gx13- 2C-1.142 Audit Committee

Mr. Garcia explained that the additional changes requested by the Audit Committee have been incorporated and the Rules will be presented to the Board at its March 25, 2009, meeting for final approval. (It should be noted that the School Board did approve both rules at their meeting of March 25, 2009.)

The Committee reviewed the Rules, which has the Chief Auditor and the Office of Management and Compliance Audits reporting directly to the School Board Audit Committee. The Audit Committee endorsed the changes.

9. Proposed Audit and Finance Committee

Mr. Vann explained in detail a proposal to expand the scope of the Audit Committee. This proposal was prepared by the Chief Auditor in consultation with the Chief Financial Officer and the Chief Budget Officer.

The Committee offered their changes.

A motion was made by Mr. Thornburg, seconded by Mr. Shapiro, and carried unanimously, to have the Chief Auditor make the revisions for further study and approval at the May Audit Committee meeting.

10. Update on Outside Auditor Fees

Mr. Vann informed the Committee that Mr. Pattillo asked for some more time and noted that Mr. Pattillo should be providing a response on the fees at the next Audit Committee meeting.

11. New Business

The Committee briefly discussed their preference in receiving their meeting package on paper versus online. Members present asked to receive their packages on line as well as on paper; Ms. Kairalla stressed that she would like to receive her package online only.

Adjournment

Ms. Amos adjourned the meeting at 2:51 p.m.