

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
March 6, 2012**

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The School Board Audit and Budget Advisory Committee (ABAC) met on Tuesday, March 6, 2012 in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

**Voting:**

Mr. Jeffrey B. Shapiro, Esq., Chair  
Dr. Lawrence Feldman, School Board Vice Chair  
Ms. Susan Marie Kairalla  
Mr. Roland Sanchez-Medina, Jr., Esq.  
Mr. Rayfield McGhee, Jr., Esq.  
Mr. Jose I. Rasco, CPA  
Mr. Frederick F. Thornburg, Esq.

**Members Absent:**

Mr. Thomas B. Davis, Esq.  
Mr. Isaac Salver, CPA  
Mr. Mayowa Odusanya, Esq.

**Non-Voting:**

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

**Call to Order**

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The ABAC Chair Jeffrey Shapiro called the meeting to order at 12:30 p.m. and warmly welcomed everyone in attendance.

**1. Welcome, Introductions, and Moment of Reflection**

Mr. Shapiro requested everyone in attendance to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair  
Dr. Marta Perez, School Board Member  
Mr. Alberto M. Carvalho, Superintendent of Schools  
Mr. Walter J. Harvey, Esq., School Board Attorney  
Mr. Luis M. Garcia, Deputy School Board Attorney  
Mr. Freddie Woodson, Deputy Superintendent  
Dr. Helen Blanch, Assistant Superintendent  
Mr. Marcos Moran, Assistant Superintendent  
Dr. Daniel Tosado, Assistant Superintendent  
Mr. Jose F. Montes de Oca, Chief Auditor  
Ms. Connie Pou, Controller  
Ms. Daisy Naya, Assistant Controller

Ms. Maria T. Gonzalez, Asst. Chief, School Audits  
Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs  
Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits  
Ms. Debbie Karcher, Chief Information Officer  
Mr. John Schuster, Chief Communications Officer  
Ms. Cynthia Gracia, Administrative Director  
Ms. Penny Parham, Administrative Director  
Ms. Janice Cruse-Sanchez, Administrative Director  
Dr. Ana M. Rasco, Administrative Director  
Ms. Olga V. Botero, Executive Director  
Mr. Jon Goodman, Director  
Ms. Tamara Wain, Director

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Mr. Tom Knigge, OIG, Special Agent  
Mr. Luis Baluja, Supervisor  
Mr. Paul Smith, Supervisor  
Mr. James O'Donnell, Chief Info Security Officer  
Ms. Raquel Alexander, Administrative Assistant  
Mr. Jerold Blumstein, Administrative Assistant  
Ms. Jackie Fals, Administrative Assistant  
Ms. Ana Lara, Administrative Assistant  
Ms. Carmen Naumann, Administrative Assistant  
Ms. Bertha Valcarcel, Administrative Assistant  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsie Berrios-Montijo, Administrative Secretary  
Ms. Lucila Gonzalez, Administrative Secretary

Mr. Donovan Maginley, Partner, McGladrey & PullenLLP  
Ms. Angela Klinedinst, Principal, Oxford Academy  
Ms. Debra Baker, Office Manager, Oxford Academy  
Mr. Dan Ricker, Publisher and Editor

There was a moment of reflection.

**2. Approval of the Minutes of the Audit and Budget Advisory Committee meetings of January 31, 2012 and Special Meeting of February 3, 2012**

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The Chair drew the ABAC members' attention to the minutes for the ABAC meetings of January 31, 2012 and Special Meeting of February 3, 2012. He asked whether any members had any suggested revisions or questions relating to the contents of the proposed minutes. Mr. Thornburg gave accolades on very well-written minutes.

There being no questions or suggestions, a motion was duly made by Mr. Thornburg and seconded by Ms. Kairalla to approve the proffered minutes to serve as the official memorialization of the January 31, 2012 and Special Meeting of February 3, 2012, meetings of the Audit and Budget Advisory Committee. The motion carried unanimously.

**EXTERNAL AUDITS:**

**3. Presentation of 53 Charter Schools' Audited Financial Statements FYE June 30, 2011**

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Mr. Montes de Oca introduced the item that contained the audited financial statements of 53 of the 92 schools which operated in Miami-Dade County during the 2010-2011 school year. He explained that 52 of the 53 schools had no significant problems in their financial positions or management. However, one school had to have its financial statements re-issued which then disclosed a fund balance deficit and required a corrective action plan, after OMCA found inaccuracies in the financial statements originally submitted.

Ms. Hantman inquired about the Arts and Minds Charter School Audit/Investigation and asked if the audit will be presented to the ABAC sometime in May or June.

Mr. Montes de Oca responded that the report will be forthcoming either in May or June.

There was no further discussion and upon a motion duly made by Dr. Feldman, and seconded by Mr. Sanchez-Medina, which carried unanimously, it was recommended that the audited financial statements of the Fifty-Three Charter Schools be received and filed by the School Board.

#### **4. Monthly Financial Report Unaudited – For the Period Ending December 2011**

Ms. Connie Pou, Controller, introduced the report and noted that it had been approved by the School Board at its February 15, 2012 meeting.

Mr. Thornburg inquired about the self-insurance health program balance and asked for an explanation.

Ms. Pou replied that the self-insurance health program has a deficit fund balance and said that there have been steps taken to eliminate this deficit and the School Board will be addressing this issue at its March 7, 2012 meeting.

Mr. Thornburg asked what is the cap limit for the co-insurance policy, that is, the amount of loss that must be incurred before the co-insurer starts paying.

Ms. Pou replied that there are individual and aggregate stop losses that take effect. For the individual the amount is \$700,000 and for the aggregate, she said she would have to research and bring back that amount (that amount will likely vary form year to year, because it is 120% of the total amount expected to be paid in any give year).

Ms. Kairalla asked what were the savings from outsourcing insurance versus self-insurance.

Dr. Hinds replied that the District saved about \$70 million by establishing the self-insurance program and provided an overview of the positive aspects of the District's self-insurance program which was established on June 1, 2010. In addition, he suggested that Mr. Scott Clark, Risk and Benefits Officer, provide a more in-depth presentation to the Committee.

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

#### **INTERNAL AUDITS:**

#### **5. Internal Audit Report – Selected Schools**

Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits, presented the selected schools audit and indicated that the report includes the audit results of 31 schools of which two schools had audit exceptions. At the two schools, controls over the internal funds' recordkeeping function and related activities, and the oversight of the payroll function needed improvement. At one of these two schools, misappropriation of funds resulted in a loss of \$3,100.

Ms. Hantman referred to page 24 of the report and expressed concern about the overdrawing of schools' checking account without the responsible administrator being made aware. Ms. Gonzalez explained that there are procedures in place, where the schools are notified about the overdrawing of their checking account; however, in this case the bookkeeper was not maintaining the recordkeeping adequately. Ms. Hantman suggested that procedures should be established, so that this does not happen repeatedly.

After some more discussion, Ms. Connie Pou, Controller, and Mr. Woodson, Deputy Superintendent, explained that there is a procedure in place and there is communication between the district staff and the principals when these issues arise.

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

## **6. Internal Audit Report – Data and Systems Security – Office of the Controller**

Mr. Trevor Williams, Assistant Chief Auditor, Operational Audits, introduced the report and explained that this is the third in a series of this type of audit at the District level. He referred to page 1 of the report, and pointed out the issues that were identified and corresponding recommendations.

Mr. Sanchez-Medina asked what is the centralized timeout policy. Mr. Williams explained that timeout is a lockout mechanism used on computers when there is a period of inactivity. He noted that there was a large number of workstations which were not exercising this required feature. Mr. Williams emphasized the importance of exercising this required feature.

Ms. Karcher provided an explanation of why this has not been done globally. She then explained why it is difficult to centralize this feature, but emphasized that it can be done. She said that they are trying to educate staff to enable this feature on their own.

Mr. Shapiro expressed concern about servers operating on unsupported operating systems.

Ms. Karcher explained that they are working with vendors to get a new version of the software so that the servers can be upgraded to a newer operating system. Additionally, the other option would be to replace the servers but that would be costly.

Ms. Kairalla gave accolades to the IT Department on their outstanding work even though their work force has been reduced time and again.

Dr. Feldman expressed concern about security relating to the wireless technology on the rise at the schools.

Ms. Karcher explained that she is confident with the level security system that is in place and does not foresee an issue.

In conclusion, Mr. Williams directed the accolades noted, to Mr. Luis Baluja, the auditor who performed the audit.

Mr. Carvalho announced the receipt of a \$1 Million donation to the District as match for a Federal project named. He explained that these monies will be used as seed funds, whereby the Federal Government will match every dollar provided by M-DCPS with \$10. These funds, he noted, will make it possible to provide wireless internet access to every student in every classroom throughout the entire county.

There was no further discussion and upon a motion duly made by Mr. Sanchez-Medina, seconded by, Mr. Rasco that carried unanimously, it was recommended that the Internal Audit Report – Data and Systems Security – Office of the Controller be received and filed by the School Board.

## **7. Internal Audit Report – Controls Over Food Service Cash Receipts**

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Mr. Montes de Oca introduced the report and noted that although controls are already in place, the report contains recommendations to further strengthen these controls, mostly by generating exception reports. The ABAC members expressed their satisfaction and complimented the administration in this endeavor.

Mr. Trevor Williams concurred that during the review of the cash receipts process over cafeteria funds they were pleased to find that the controls and procedures were in place and functioning adequately. However, recommendations were made to improve the controls over the reconciliation of cash receipts which is always a sensitive area.

There were some questions posed by Committee members relating to the reasonableness of the meal prices, which administration addressed satisfactorily.

Mr. Thornburg inquired about the target date by which the monthly exception reports will be developed. He expressed confidence that these reports will be used to increase the controls in connection with the reconciliations.

Mr. Williams pointed out that the current reports do not fully capture the information needed to detect the issues in a concise manner and the monthly exception reports will lessen the amount of time needed to identify problems.

There was no further discussion and upon a motion duly made by Mr. Sanchez-Medina, seconded by, Mr. Rasco that carried unanimously, it was recommended that the Internal Audit Report – Controls Over Food Service Cash Receipts be received and filed by the School Board.

**OTHER MATTERS:**

**8. Proposed Amendment of School Board Policies: Initial Reading: Policy 9140, Citizens' Advisory Committees, Policy 6840, Audit and Budget Advisory Committee, Policy 9142, Diversity Equity and Excellence Advisory Committee (School Board Agenda Item G-3)**

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Mr. Thornburg recused himself from participating in this discussion to the extent that it relates to the appointment of the representative, because he sits in the Executive Committee of PTA/PTSA.

Mr. Walter Harvey, School Board Attorney, introduced the item and explained the proposed amendments made to the above referenced policies were to 1) Permit the appointment of a PTA/PTSA member and alternate to the ABAC. 2) Limit registered lobbyist service; prohibit registered lobbyist in its entirety or limit the service of registered lobbyist if they have a continuing conflict. He noted that this item will be presented to the School Board at its meeting of March 7, 2012.

Dr. Marta Perez, expressed her strong opposition to the above referenced policies and explained that it will theoretically affect a person that represents her. In addition, although she supports the PTA, she believes it is not necessary to add a PTA representative to these committees.

Mr. Thornburg said that he is in favor with the amendments to the policies mentioned and does not think it is targeting anyone.

Ms. Kairalla made a request to remove from policy #6840, Audit and Budget Advisory Committee, the clause that states to have an alternate, because she strongly disagrees with having an alternate position in the committees.

Mr. Shapiro stated that all comments have been heard by the School Board members present and whether they agree or disagree they can carry the message to tomorrow's School Board meeting.

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

**9. Employment Agreement of Chief Auditor (School Board Agenda Item H-1)**

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Mr. Montes de Oca informed the Committee that this item is proposing that the School Board evaluate the performance of the Chief Auditor if they so desire, as provided for in his contract with the School Board. He also noted that traditionally OMCA and Chief Auditor have been evaluated by the Audit Committee.

Ms. Hantman explained that she is the originator of this item and the content of this item is between the Chief Auditor and the School Board and it will be presented to the School Board at its meeting of March 7, 2012. She then expressed concern that this item was being presented to the Committee and that she had not been advised about it. Additionally, she explained the particulars of the item, noting that it was informational for the newly appointed School Board members whom were not in office in 2009, when the Chief Auditor's contract was approved. She further explained that the proposed change is merely advising that the School Board members may evaluate the Chief Auditor if they so desire.

Ms. Kairalla commented that because of the change it was a good idea to share the items with the Committee.

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

#### **10. Office of Management and Compliance Audits' Activity Report**

Mr. Montes de Oca introduced the report and informed the Committee about two investigations. He explained that at Homestead Senior High School there was an investigation in conjunction with the School Audits Division which did most of the work, resulting in the arrest of a treasurer on grounds of grand theft, in connection with the auditor's findings. The other investigation concerned a vendor and although the fieldwork has not been completed, the District has already received a refund check for \$95,000 from the vendor.

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

#### **11. Conduct Election of the Vice Chair**

As procedurally established, Mr. Montes de Oca opened the floor for nominations of the Vice Chair position. Mr. Thornburg nominated Mr. Sanchez-Medina, Dr. Feldman seconded the motion, and no further nominations were voiced. The motion carried and Mr. Sanchez-Medina was unanimously elected.

#### **NEW BUSINESS**

Dr. Feldman made a motion proposing that the OMCA perform annual audits of the funds received by the District from the Academy for International Education Charter School, as management fees, during the 2011-2012 fiscal year. The purpose of the audit will be to ascertain that these fees were handled as committed by the administration to the School Board. The motion was seconded by Mr. Thornburg and carried unanimously.

Mr. Thornburg asked Mr. Carvalho if he could provide an update on the financial challenges M-DCPS will be facing as a result of legislative actions taken in Tallahassee.

Mr. Carvalho provided an extensive explanation on the efforts made by the District's legislative team and the gains obtained in several areas impacting M-DCPS. He noted that as far as the General Fund was concerned, the District had fared pretty well; however, capital funds were severely reduced and this will have a corresponding severe impact on the District's budget.

### **OLD BUSINESS**

No old business came before the Committee.

### **Adjournment**

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There being no further business to come before the Committee and upon motion duly made and seconded, the meeting was adjourned by Mr. Shapiro at 1:54 p.m.

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