



Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools

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Chief Auditor

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Miami-Dade County School Board

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May 3, 2016

The Honorable Chair and Members of the School Board of Miami-Dade County, Florida
Members of the School Board Audit and Budget Advisory Committee (ABAC)
Mr. Alberto M. Carvalho, Superintendent of Schools

**SUBJECT: FISCAL YEAR 2014-2015 AUDITED FINANCIAL STATEMENTS FOR 39
OF THE 125 CHARTER SCHOOLS IN OPERATION AT YEAR-END**

Ladies and Gentlemen:

We have completed the review of the June 30, 2015, certified financial statements for 39 of the 125 M-DCPS sponsored charter schools in operation as of year-end, and are presenting them to you at the May 10, 2016, ABAC meeting. Eighty-three charter school statements were presented and accepted by the ABAC at its December 2015 and January and March 2016 meetings, and we plan on presenting the remaining three schools at the July 2016 meeting.

18 Schools With Advances/Loans Or Transfers To Affiliated Charter Schools Operating
Outside Of Miami-Dade County Or To Parent Company Corporate Accounts

The following schools advanced funds to affiliated charter schools operating outside of Miami-Dade County or to parent company corporate accounts, as shown below.

FISCAL YEAR 2014-2015 AUDITED FINANCIAL STATEMENTS FOR 39 OF THE 125 CHARTER SCHOOLS IN OPERATION AT YEAR-END

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ADVANCES / LOANS / TRANSFERS ISSUED BY LISTED CHARTER SCHOOLS

CHARTER SCHOOLS	ADVANCES / LOANS / TRANSFERS ISSUED TO:			
	CHARTER SCHOOLS IN OTHER COUNTIES		PARENT / CORPORATE ACCOUNT	
	New Advances in 2015 FY	Ending Balance as of 6/30/2015	New Advances in 2015 FY	Ending Balance as of 6/30/2015
<i>Presented in this May 10, 2016 ABAC Meeting:</i>				
Aspira Arts Design Communication Charter School			\$ 173,786	\$ 415,853
Aspira Leadership and College Preparatory Academy				364,781
Aspira Raul Arnaldo Martinez Charter School			106,814	1,835,752
Bridgeprep Academy Charter School *	212,094	212,094		
Bridgeprep Academy Interamerican	10,000	10,000		
Bridgeprep Academy of Village Green Charter School	8,949	8,949		
Doral Academy High School				1,029,768
Keys Gate Charter School	750,000	750,000	3,000,000	3,000,000
Mater Academy *			500,000	6,138,756
Mater Academy East Charter School			500,000	500,000
Mater Academy High School			500,000	1,500,000
Mater Academy Lakes High School			1,200,000	1,200,000
Mater Academy Lakes Middle School			639,427	639,427
Mater Academy Middle School			500,000	2,340,000
Mater Performing Arts and Entertainment Academy *				1,935,000
Pinecrest Preparatory Academy Charter High School				250,000
Pinecrest Preparatory Academy Charter Middle School				250,000
Somerset Academy Bay *			170,376	170,376
<i>To Be Presented in July 2016 ABAC Meeting:</i>				
Pinecrest Academy (South Campus)				800,000
Pinecrest Preparatory Academy		360,500		1,380,000
Grand Total	\$ 981,043	\$ 1,341,543	\$ 7,290,403	\$ 23,749,713

Advances to charter schools outside the county were \$981,043 during the 2014-15 fiscal year, and the total of said advances as of June 30, 2015, was \$1,341,543. Advances to parent company corporate accounts were \$7,290,403 during the 2014-15 fiscal year, and the total of said advances as of June 30, 2015, was \$23,749,713. In order to provide a complete analysis, 2 additional charter schools that will be presented in the July 2016 ABAC meeting, have been included in the data and chart above.

The OMCA has raised concerns about the legality and propriety of these transactions, which usually are long-term, interest free advances¹ in which no goods, services, or deliverables are received in exchange by the transferring school.

The OMCA received guidance from the Florida Department of Education (FLDOE) which indicates that advances/loans/transfers to charter schools across county lines would violate statutory requirements. This guidance also indicates that Intra-County advances/transfers of FEFP funds to charter schools governed by the same legal entity in the same county may be permissible under certain circumstances, including the County School Board's approval.

¹ A few schools do have an interest rate associated with advances, including Bridgeprep and Keys Gate. Also noted is that the ASPIRA schools' pooled cash system and resulting due from accounts have the same effect as an advance of funds to the parent company.

Regarding our questions about advances/loans/transfers to parent corporate accounts, the FLDOE is not definitive in its guidance. In response to our inquiries, the FLDOE General Counsel stated: "Unfortunately, we are not in a position to resolve these additional questions. The legal opinion that we sent you, and that you accurately summarized in your letter, sets out a narrow framework. Within the confines of this framework, a school district may permit charter schools to transfer funds. Any requests for transfers falling outside this framework are not authorized by the Department. It is up to the local school districts to apply this framework to the specific circumstances they encounter."

Looking at advances/loans/transfers to parent corporate accounts from an auditing standards and transparency lens, such transactions are counter to open and transparent use of public funds. Once the funds are moved to the corporate account, their use is not readily transparent, and we often encounter strong resistance to reviewing the financial records of the parent corporate account.

Currently, the District administration is working with the School Board Attorney's Office in crafting a new charter school policy to update procedures that would also address our concerns.

Keys Gate Charter High School

The School's Net Position as of June 30, 2015 was a deficit of \$(2,680,519), and its Total Fund Balance was \$1,007,128. The School's external audit firm determined that the School did not meet any of the financial emergency conditions described in Section 218.503, Florida Statutes, and was not in a deteriorating financial condition pursuant to Section 10.855, Rules of the Auditor General.

The following is an update on our Audit of Selected Financial, Real Estate and Operational Transactions and Contractual Arrangements: Keys Gate Charter High School, presented at the September 29, 2015 ABAC meeting, where we found that \$500,000 of the School's funds had been paid to an undisclosed party.

During the audit, the School's representatives indicated to us that the amount was paid to a third party developer as part of a confidential settlement agreement, but refused to provide us with the identity of the payee and documentation evidencing services provided, unless we signed a non-disclosure agreement (NDA), which we are prohibited from signing.

Therefore, we concluded in our audit report: "...absent the transparency of that portion of the School's loan proceeds, we cannot confirm that such expenditures were used for their intended purposes."

Subsequent to our audit report issuance, the School Board Attorney's Office also requested the identity of the aforementioned payee and documentation evidencing services provided, and took other actions in attempting to resolve this outstanding audit concern. Again, the School's representatives also refused to provide the said public information to the School Board Attorney's office.

In attempting to resolve this outstanding issue and in consultation with the School Board Attorney's Office, the OMCA sent a formal public records request to the School on April 28, 2016 (please see attached). It should be noted that Section 1002.33, Florida Statutes (Charter Schools) as well as the Charter School Contract between The School Board of Miami-Dade County and the School, stipulate that information and documentation of charter school expenditures are subject to Chapter 119, Florida Statutes (Public Records).

20 Schools That OMCA Determined (After Discussions, Clarifications And/Or Review Of Additional Documents For Some) To Be Free Of Significant Fiscal Issues

- Ben Gamla Charter School
- Bridgeprep Academy of Greater Miami Charter School
- International Studies Virtual Academy
- Mater Academy High School (Miami Beach)
- Mater Academy Virtual Middle High
- Mavericks High of North Miami-Dade County
- Mavericks High of South Miami-Dade County *
- Renaissance Elementary Charter School
- Renaissance Middle Charter School
- Somerset Academy *
- Somerset Academy at Silver Palms *
- Somerset Academy Charter Elementary School (South Homestead) *
- Somerset Academy Charter High School *
- Somerset Academy Elementary School (South Miami Campus) *
- Somerset Academy Virtual Middle High School
- Somerset Arts Academy
- Somerset Gables Academy
- Somerset Preparatory Academy at Silver Palms
- Sports Leadership and Management Academy
- Sports Leadership and Management (SLAM) Charter Middle School *

* These schools have provided Intra-County advances or transfers to other charter schools governed by the same legal entity within Miami-Dade County. These advances/transfers are distinguishable from those made to charter schools located outside Miami-Dade County or to Corporate Accounts. Guidance from the Florida Department of Education and review of applicable law seems to indicate that Intra-County advances/transfers of FEFP funds to charter schools governed by the same legal entity in the same county may be permissible under certain circumstances, including the County School Board's approval. Noted is that 11 schools presented at the May 10, 2016, meeting and indicated above with an * provided a total of \$3,696,901 of Intra-County advances/transfers as of June 30, 2015.

May 3, 2016

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Note: The review of said audits is one of the primary mechanisms used by the District for fiscal oversight of its charter schools pursuant to **Section 1002.33, Florida Statutes**. This process includes reviewing year-end financial statements and associated documents for charter schools that have been audited by their own contracted external audit firms. During these reviews our office corresponds, when necessary, with the schools' management and external auditors to better understand or clarify any germane fiscal issues. Our work product herein is considered a non-audit service according to Government Auditing Standards.

The full audited financial statements for the above referenced 39 charter schools can be found at http://mca.dadeschools.net/CBO_Charter_1516.asp

Sincerely,

A handwritten signature in blue ink, appearing to read "Jose F. Montes de Oca".

Jose F. Montes de Oca, CPA
Chief Auditor

JFM:JG:em
L058
Attachment

cc: Mr. Walter J. Harvey
Ms. Valtena G. Brown
Mrs. Judith M. Marte
Ms. Iraida R. Mendez-Cartaya
Ms. Tiffanie A. Pauline
Ms. Melinda McNichols
Mr. Jon Goodman
Ms. Elvira M. Sanchez
Ms. Maria A. Curbelo



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April 28, 2016

Mr. Kenneth Haiko
Governing Board Chair
Renaissance Charter School, Inc.
kenh618@aol.com

Mr. Levi Williams, Esq.
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Mr. Edward J. Pozzuoli
Tripp Scott Attorneys at Law
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SUBJECT: PUBLIC RECORDS REQUEST

Dear Mr. Haiko, Mr. Williams, and Mr. Pozzuoli,

Please consider this email letter a request for the records listed below, pursuant to the Public Records Act, Chapter 119 of the Florida Statutes. In conjunction with the report, Audit of Selected Financial, Real Estate and Operational Transactions and Contractual Arrangements: Keys Gate Charter High School, presented at the September 29, 2015, Audit and Budget Advisory Committee meeting, certain information requests during the audit process were not provided, and are again being requested here.

Our office is requesting the following:

1. The payee/beneficiary of the \$500,000 wired from the loan proceeds of Renaissance Charter School, Inc./Keys Gate Charter High School (the School). The identity of the recipient is requested for each of these transactions:
 - \$250,000 EFT/wire transfer on 11/22/2011
 - \$250,000 funds transfer on 8/31/2012
2. Contracts and/or any documents evidencing services provided or agreed to be provided for the amounts above, to the School or Red Apple Development, LLC (or its assigns) as co-borrower on the loan.

PUBLIC RECORDS REQUEST

April 28, 2016

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This request includes copies of all documents related to the information requested above, regardless of the format in which the documentation is stored. If you refuse to provide this information, Chapter 119 requires you advise our office in writing and indicate the applicable exemption to the Public Records Act. Also, please state with particularity the reasons for your decision, as required by Section 119.07(2)(a). If the exemption you are claiming only applies to a portion of the records, please delete that portion and provide copies of the remainder of the records, according to section 119.07(2)(a). We agree to pay the actual cost of duplication as defined in Section 119.07(1)(a).

We request these records be available by Friday, May 27, 2016. If you have any questions or need more information in order to satisfy this request, please contact me.

Sincerely,

A handwritten signature in blue ink, reading "José F. Montes de Oca".

José F. Montes de Oca, CPA
Chief Auditor

JFM:JG:lig
L056

cc: Mr. Walter J. Harvey
Ms. Valtena G. Brown
Ms. Judith M. Marte
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