

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
February 4, 2020**

The School Board Audit and Budget Advisory Committee (ABAC or Committee) met on Tuesday, February 4, 2020, in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Voting Members Present:

Mr. Erick Wendelken, CPA, Chair
Mr. Christopher Norwood, J.D., Vice-Chair
Mr. Jeffrey Codallo
Mr. Juan del Busto
Ms. Beth Edwards, PTA/PTSA President
Mr. Stephen Hunter Johnson, Esq.
Mr. Jeffrey Kaufman
Mr. Julio C. Miranda, CPA, CFE
Mr. Rudy Rodriguez, CPA
Ms. Mari Tere Rojas, School Board Member
Mr. Isaac Salver, CPA

Voting Member Absent:

Mr. Albert D. Lopez, CPA

Non-Voting Member:

Mr. Ron Y. Steiger, Chief Financial Officer

Call to Order

The ABAC Chair, Mr. Erick Wendelken called the meeting to order at **12:34 p.m.**

1. Welcome and Introductions

Mr. Wendelken welcomed the ABAC members and noted that this meeting presented a short agenda. He then requested all in attendance to introduce themselves, which they did. The following persons were present:

Mrs. Perla T. Hantman, School Board Chair	Ms. Maria T. Gonzalez, CPA, Chief Auditor
Dr. Steve Gallon III, School Board Vice-Chair	Mr. Jon Goodman, CPA, CFE, Assistant Chief Auditor
Dr., Lawrence S. Feldman, School Board Member/Alternate ABAC Member	Mr. Richard Yanez, CPA, District Audit Director
Dr. Marta Pérez, School Board Member	Ms. Tamara Wain, CPA, District Director
Mr. Alberto M. Carvalho, Superintendent	Mr. Luis Baluja, CISA, Executive Director
Mrs. Valtena G. Brown, Dep. Supt./Chief Oper. Officer	Ms. Michele Jones, Esq., Executive Director, CIU
Mr. Jaime G. Torrens, Chief of Staff	Ms. Mariela Jimenez-Linaje, Audit Manager
Mr. Raul F. Perez, Chief Facilities Design & Construction Officer	Mr. Michael Hernandez, CPA, Charter School Audit Coordinator
Mr. Carl Nicoleau, Chief Maintenance & Ops. Officer	Ms. Francys Vallecillo, Chief of Staff
Ms. Tabitha G. Fazzino, Chief Compliance Officer	Mr. Maria Areas, Administrative Assistant
Mr. Eugene Baker, Chief Information Officer	Ms. Ana Lara, Administrative Assistant
Mr. Walter J. Harvey, School Board Attorney	Dr. Marcos Moran, Administrative Assistant
Ms. Mindy McNichols, Assistant School Board Attorney	Ms. Jackie Falls, Chief of Staff
Ms. Daisy Gonzalez-Diego, Chief Comm. Officer	Ms. Addys Lopez, Administrative Assistant
Mr. Terrance Ferguson, Assistant Controller (on behalf of Ms. Daisy Naya, Controller)	Mr. Jerold Blumstein, Chief of Staff
Dr. John Pace, Central Region Superintendent	Ms. Vivian Lissabet, Administrative Assistant
Ms. Joyce M. Castro, Assistant Superintendent, HR	Ms. Marlow Sears, Administrative Assistant
Dr. Sylvia J. Diaz, Assistant Superintendent	Ms. Patricia Betancourt, Administrative Assistant
Mr. Luis E. Diaz, Assistant Superintendent	Mr. William McAuliff, Executive Director, MECA
Ms. Tiffanie Pauline, Asst. Superintendent, Charter Schools	Ms. Elsa Berrios-Montijo, Staff Assistant
Ms. Meyme Falcone, Administrative Director (on behalf of Ms. Iraida R. Mendez-Cartaya, Associate Superintendent)	Ms. Latisha Green, Administrative Assistant
Dr. Robert D. Strickland, Administrative Director	Ms. Sheila Resco, Assistant
Ms. Cynthia Gracia, Administrative Director	Mr. Felix Jimenez, Deputy Inspector General, OIG
Ms. Nichole Jackson, Executive Director	Mr. Tom Knigge, Supervisory Special Agent, OIG
Ms. Latosha Styles, Fiscal Manager	Ms. Matilde Ross, Friends of WLRN
Mr. John Labonia, General Manager, WLRN	Ms. Sheila Reinken, CFO, Friends of WLRN
Ms. Cynthia Borders-Byrd, Managing Member, C Borders-Byrd, CPA LLC	Mr. Manuel Alvarez, Partner, Verdeja, DeArmas & Trujillo LLP
Mr. Ben Launerts, MECA	Dr. Judith Stein, MECA
Ms. Elbe Burke, Past President MECA	Ms. Ana Martinez, CFO Academica*
<i>*Charter school representative arrived after agenda item on charter schools had been presented, discussed, and voted on.</i>	

2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of December 3, 2019 (ACTION)

ABAC Chair Mr. Erick Wendelken presented the item. A motion was made by School Board Member/ABAC member Ms. Mari Tere Rojas, and seconded by ABAC member Mr. Rudy Rodriguez, for the approval of the minutes of the December 3, 2019, ABAC meeting. The motion carried unanimously.

3. 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, 2019 (ACTION)

The Chief Auditor introduced the subject report and explained that the external audit firm of C Borders-Byrd, CPA, LLC was engaged to perform this audit and the audit report presented a clean opinion. The Chief Auditor then turned the presentation over to Ms. Borders.

Ms. Cynthia Borders-Byrd, Managing Member of C Borders-Byrd, CPA LLC stated that the report presented an unmodified opinion and that she is currently working with the Administration on the stations' Annual Financial Report. This information is to be filed electronically to the Corporation for Public Broadcasting (CPB) by February 13th as required by CPB's statutory requirements. She then pointed to the schedule on pages 51 and 52 of the subject report and noted that this information was very important because this schedule combines the financial information of both WLRN and Friends of WLRN, Inc. (FRIENDS) and provides a complete picture of the stations' financial activity.

ABAC member Mr. Isaac Salver requested from Ms. Borders to provide a brief synopsis of the financial issues surrounding WLRN during the past one-two years and how those issues have been resolved. To address the request, Ms. Borders stated that in a previous audit, there had been a misreporting in the apportionment of WLRN's revenues earmarked for the TV and Radio stations. She said that FRIENDS was involved with this issue and had agreed to pay about \$1.1 million dollars, the amount that was repaid to CPB in reference to the TV/Radio revenue misreporting. Then the OIG-CPB auditors continued reviewing the reporting of WLRN and found additional reporting errors. These required a repayment to the CPB including a penalty totaling approximately \$862,000 that the District paid in July 2019.

Mr. Salver requested the clarification because he wanted to ensure that these [current] financials were real-time and presented no issues whatsoever. Ms. Borders pointed to the Balance Sheet where there are no outstanding receivables and stated that all prior issues have been resolved.

ABAC member Mr. Juan del Busto inquired whether this audit had drilled down on the financial information provided by FRIENDS. Ms. Borders clarified that the WLRN audit performed by her firm relies on the audited information of FRIENDS reported by Marcum LLP, the external auditor hired by FRIENDS to perform their certified external audit. Referring to the past misreporting of revenues for the TV and Radio stations, Ms. Borders clarified that during the time of the misreporting, an external audit of FRIENDS to verify that financial information had not taken place. She pointed that this issue has been corrected since, and her audit can rely on the external audit report of FRIENDS and the financial information that it presents.

Board member/ABAC member Ms. Mari Tere Rojas was very pleased that there are no findings or deficiencies and no instances of non-compliance in the report, and thanked staff for the work performed.

There being no additional questions or comments, a motion was made by ABAC member Mr. Juan del Busto and seconded by School Board member/ABAC member Ms. Mari Tere Rojas, 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, 2019**, be received and filed by the School Board.

4. Presentation of the Financial Statements of The Foundation for New Education Initiatives, Inc. for the Year Ended June 30, 2019 (ACTION)

The Chief Auditor introduced subject report and noted that this audit of the financial statements corresponding to the *Foundation for New Education Initiatives* (FNEI) for the fiscal year ended June 30, 2019, was performed by the external audit firm of Verdeja, De Armas & Trujillo, LLP Certified Public Accountants. She also noted that the audit report presented an unmodified opinion and then turned the presentation over to Mr. Manny Alvarez, Partner of the external audit firm, who made a brief presentation.

Mr. Alvarez made a brief presentation by stating that the period for this audit was one year ended June 30, 2019, the audit presented a clean opinion, there were no findings, and the audit was previously presented to FNEI's Finance Committee.

School Board member Dr. Steve Gallon III posed a question regarding information on page 4 of the report. Specifically, he inquired about the primary source relative to local grants' support and revenue, and how did the reported revenues of \$3,668,955 reconcile to total reported program expenditures of \$4,661,438.

Mr. Alvarez replied that the majority relates to the Summer Youth Internship program, and the difference between revenues and expenditures reported is due to timing differences. He pointed that most of this revenue was categorized as deferred in the past because it was received before it was to be used during the fiscal period. This year, the funds were received on or about July 3rd or July 4th, and that is why there are no deferred revenues reported at year-end closing. Dr. Gallon further inquired as to the primary source(s) that funded the Summer Youth Internship Program. The Superintendent replied that there are three entities involved. According to him, the first and the one that represents the lion-share portion of the funding is the *Children's Trust*, followed by the *County* and *Career Source*, a distant third. Dr. Gallon was satisfied with the response.

There being no additional questions or comments, a motion was made by ABAC member Mr. Jeffrey Codallo and seconded by ABAC member Mr. Isaac Salver, 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, 2019**, be received and filed by the School Board.

5. Presentation of Internal Audit Report - Selected Schools/Centers (ACTION)

The Chief Auditor introduced the subject report that included the audits of 35 schools, 33 of which did not pose any audit issues. Regarding the remaining two (2) schools, Young Men's Preparatory Academy and George T. Baker Aviation Technical College, she pointed to the findings cited and the schools' individual information that is summarized on the table on page 1 of the report.

School Board member/ABAC member Ms. Mari Tere Rojas stated that 33 schools did great and congratulated their treasurers and principals, and the regions and district personnel involved. She discussed the information illustrated on the table on page 1 of the subject report, and inquired whether the Treasurer without experience had been assigned a mentor. Deputy Superintendent/Chief Operating Officer Mrs. Valtena Brown replied that both the Principal and Treasurer of that particular school have mentors. Ms. Rojas also noted that the affected principals were not copied in the memoranda submitted by the Region and District offices to the Chief

Auditor's office regarding corrective actions. Mrs. Brown replied that the information flows through the Region office and the Region office supervises the principals.

Next, Ms. Rojas discussed the issues at George T. Baker Aviation Technical College and requested clarification. According to Mrs. Brown, the issue involves Pell grant funds and third-party payments of students that are registered for class and the registrar bills the third-party for the tuition. Regarding the process, she said that it appears that no one was tracking whether the billings received by the school covered the services provided to the students in full. She noted that the challenge started when the school transferred from the VACS registration system to the FOCUS system over the last three years, and certain reports related to these billings were no longer automatically generated in the FOCUS system. She acknowledged that schools are responsible for tracking the billings, and in this case, some students were allowed to register in subsequent periods, although a full payment covering a prior period had not been received. She concluded that after this audit, the FOCUS system produces reports that principals and staff can print every month to ensure a proper reconciliation.

Although Ms. Rojas was satisfied with management's response to the auditor's recommendations, in the response, she noted that there is mention of a Fiscal Supervisor that will be meeting with school staff on a monthly basis to reconcile the third-party billings and inquired about this individual. Mrs. Brown introduced Ms. Latosha Styles as the Fiscal Supervisor mentioned in the response. Furthermore, Mrs. Brown added that the school goes through COE accreditation⁽¹⁾; and that agency recommended that the school employ a second Financial Aid Officer to monitor the volume of students serviced.

Last, Ms. Rojas inquired regarding property inventories of the 35 schools totaling approximately \$36.1 million, and the property losses reported through the Plant Security Report process of approximately \$16,000 as summarized on page 3 of the subject report. Specifically, she inquired as to the level of support provided to site administration to account for this property, especially over computer and audio-visual equipment. Mrs. Brown replied that property is monitored at the school level, where schools are required to perform an inventory of property periodically throughout the year and that process has not changed. She explained that the process involves designating a site administrator and staff to monitor the property, conduct periodic inventories, and report on the results of those inventories. She further clarified that regarding those computers that students take home, the assignment of this property is handled by the individual teacher that assigns the computer to the individual student; therefore, the process at the site involves several other individuals and additional levels of monitoring. Ms. Rojas was satisfied and thanked Mrs. Brown for the explanation provided.

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. Jeffrey Kaufman, which carried unanimously, to recommend that the **Presentation of Internal Audit Report - Selected Schools/Centers**, be received and filed by the School Board.

(1) The Council on Occupational Accreditation (COE) is a private non-profit accrediting agency recognized by the United States Department of Education that provides national accreditation to eligible and qualifying educational institutions.

6. Presentation of Internal Audit Report – Audit of the District’s General Obligation Bond (GOB) Expenditures for FY 2018-2019 and Follow-up on the External Midpoint Audit (ACTION)

The Chief Auditor introduced the subject audit report, which her office performed in accordance with the approved 2019-2020 Fiscal Year Audit Plan and pursuant to action item 5 of Agenda Item H-10 *Revised Accounting, Reporting, Auditing and Transparency of General Obligation Bond Expenditures* that was approved by the School Board at its November 15, 2017, meeting. She noted that the objectives of this audit were to test and opine on the reporting of District GOB expenditures incurred for the fiscal year ended June 30, 2019, and to conduct a follow-up on findings/observations and recommendations corresponding to the May 2019 external audit of the midpoint of the GOB funded School Improvement Program performed by the accounting firm of S. Davis and Associates, P. A.

Ms. Gonzalez stated that based on the testing performed, GOB expenditures reported at approximately \$112 million for the fiscal year ended June 30, 2019, present fairly, in all material respects, District GOB expenditures for said period, in conformity with accounting principles generally accepted in the United States. Regarding the follow-up testing on the external GOB’s midpoint audit’s findings and observations, and their corresponding recommendations, she noted that three of the recommendations/corrective actions have been fully implemented and three have been partially implemented as of December 2019, approximately six months after the external audit was presented to the School Board on June 19, 2019. For the three in progress, Ms. Gonzalez went over the implementation dates, and that her office will follow up on the implementation schedule proffered by the Administration. She noted that this internal audit was under the direction and oversight of Assistant Chief Auditor Mr. Jon Goodman, and closed her presentation by thanking Mr. Raul Perez, Chief Facilities Design & Construction Officer and his staff for collaborating with the auditors’ inquiries and requests for documentation.

School Board member/ABAC member Ms. Mari Tere Rojas was elated with the results of this audit and continued with a summary of audit results and follow-up work that she found very satisfactory. School Board member Dr. Steve Gallon III commended the internal audit department and the administration for working collaboratively in the process. Regarding School Board agenda item H-10 *Revised* that acted as the catalyst for this internal audit, Dr. Gallon stated that he was honored to have proffered the item that his colleagues ultimately supported; and noted that he was satisfied to see an internal mechanism in place that makes it possible to provide transparency, accountability and public confidence on the GOB projects.

The Superintendent was pleased with the audit results, and commented on the great work of the District, expressed his appreciation to staff and remarked on the diligence of staff for providing information to the Board.

ABAC member Mr. Rudy Rodriguez commented that, compared to the first G.O. bond project dating back to about 1988, this GOB project is excellent. He said that in the previous G.O. bond there were significant difficulties; but in this current project, it is evident that there are internal controls in place, and this is an outstanding job. In response to Mr. Rodriguez’s comments, Dr. Gallon re-emphasized that looking back at 2017 and then three years later at the entire team and team efforts, it is obvious that the energy invested in ensuring accountability and transparency over the GOB process helps everybody win. He noted that some very important dynamics have taken place since the time when a previous superintendent oversaw a G.O. bond. He closed by stating that now, approximately 30 years later, hearing some of the comments made and the

efforts pushed, he asserts that the legacy of this GOB project will be constructive; and all involved should be very proud.

There being no additional questions or comments, a motion was made by ABAC member Mr. Isaac Salver and seconded by ABAC member Mr. Stephen Hunter Johnson, which carried unanimously, to recommend that the **Presentation of Internal Audit Report – Audit of the District’s General Obligation Bond (GOB) Expenditures for FY 2018-2019 and Follow-up on the External Midpoint Audit**, be received and filed by the School Board.

7. Presentation for 31 of 134 Charter Schools Audited Financial Statements FYE June 30, 2019 (ACTION)

The Chief Auditor introduced the subject internal audit report that comprised the certified financial statements of 31 schools. She noted that seven (7) of the 31 charter schools’ financial statement audits had no financial issues to report, three (3) disclosed a deficit net position but a positive fund balance and the remainder were accompanied by a management letter comment from their external auditors. She added that, regarding the three charter schools with deficit net positions, the deficit was disclosed for the Committee’s information, however, it was not an issue of concern or the result of a deteriorating financial condition.

ABAC member Mr. Juan del Busto expressed his concerns about the three charter schools that disclosed a deficit net position. He recalls similar issues with net position a few years ago that turned out to be a problem and inquired whether the auditors were going back to review these charters within a short-time period, or if their plan was to wait until the next audit cycle to follow-up on the corrective action. Regarding the net deficit issues from past audits that Mr. del Busto seemed to recollect, Assistant Chief Auditor Mr. Jon Goodman clarified that Mr. del Busto was probably referring to another charter, namely, Keys Gate [Charter]. Mr. Goodman clarified that in the case of this charter school, not only did the charter present a net deficit, but also a low fund balance among other fiscal issues, and the reason why for several years, its financials have been given attention and discussed at length at ABAC meetings. Mr. del Busto continued to express much concern that only seven charter schools from the 31 in this group did not present a problem and inquired as to what could be done by the Committee or the Board to remedy this situation.

School Board member/ABAC member Ms. Mari Tere Rojas requested clarification on the issue of the net position. Mr. Goodman explained the difference between full accrual and modified accrual accounting. The net position, he said, represents full accrual accounting (as it is done in the private sector), which recognizes long-term debt/capital assets; while the Fund balance represents modified accrual accounting (as it is done in the government accounting sector for years), which does not recognize long-term debt/capital assets. He clarified that the bottom line on the three charter schools is that they have substantial positive fund balances, a good cash flow and they are in good financial position; and that major construction and bond issuances in the early years of these charters caused this dynamic of a deficit net position. He pointed that schools that have recently issued bonds frequently have these numbers; and indicated that in the case of these three charters, the intent of his office was to bring the deficit to the Committee’s attention to pre-empt any questions, but the schools were otherwise in good condition.

Mr. Goodman continued with the presentation and explained that 19 of 21 charters have one finding related to the reconciliation of capital assets; while two (2) of 21 have additional findings related to certain processes related to cash collections and expenditures. Regarding these charter schools, Mr. Goodman stated that his office has had a significant dialogue with charter school

management regarding these findings and corrective actions. Although representatives of the charter schools being discussed were invited to the meeting, none was present to address these issues at the time that this discussion ensued at Committee.

Mr. del Busto continued to express his concerns about the number of schools with findings and waiting for corrective action. Regarding this matter, Ms. Rojas pointed that responses were submitted by management; and referred to the corrective action that involved training of Principals and staff. She then requested clarification from Assistant Superintendent Ms. Tiffanie Pauline (in charge of Charter School Support) regarding follow-up of these corrective actions. Ms. Pauline clarified that her office monitors the charter schools throughout the year, particularly those with findings, conducts quarterly principals' meetings and ad-hoc meetings, and also provides professional development/assistance so the charter school administration can obtain benefits from these services.

At the request of ABAC member Mr. Isaac Salver, School Board Attorney Mr. Walter Harvey clarified the authority that the ABAC and the School Board have over agreements with charter schools. Mr. Harvey explained that these issues have been addressed at the Audit and Budget Advisory Committee in the past. He will refer the ABAC members to F.S. 1002.33 over charter schools. According to the statute, critical situations involve concerning matters over the health/safety of students or when the school meets certain conditions of financial emergency. In such instances, he noted there is a process for that, and the Board can proceed along those lines; however, outside the statutory basis for addressing or disciplining, or egregious cases of terminating a contract with a charter school, there is a clear process guided by Florida Statute.

A spirited discussion ensued between several ABAC members regarding the operation of charter schools and management companies and their invested efforts in charter schools; whether parents had complained about the three charter schools with net deficit position (none had complained according to Ms. Pauline and Mr. Goodman); and the extent of monitoring audit deficiencies and corrective actions to the findings. Ms. Pauline further reiterated to the ABAC her office's monitoring efforts in light of any audit findings presented by the charter schools' certified financials.

Ms. Rojas said that she was satisfied that Ms. Pauline provided the response that she did, since charter schools are public schools and the Board is responsible for them as well. She noted that any deficiencies should be addressed accordingly and in an expeditious manner, the same way that deficiencies at the traditional schools are being addressed. She commended Ms. Pauline's group as to how they go out to the charter schools to review their work and noted that it is the reason for that office, and they will not wait one year to get the work done.

School Board member Dr. Steve Gallon III returned to the original question of *authority*. He stated that upon listening to Mr. Harvey's explanation as to *authority*, he asserted that F.S. 1002.33 sets the four corners that govern the work of the School Board, of Charter School Operations, and of the ABAC. He pointed to the statute's two specific critical areas of potential action/authority: critical issues of safety and security and certain specific issues of fiscal accountability. As far as fiscal accountability, he specifically pointed to financial emergency and due process for a corrective action plan. He added that anything else beyond these areas is outside of the scope of *authority*.

ABAC member Mr. Isaac Salver posed a question, which he said was to really put this whole dialogue in perspective. He asked how many times the Miami-Dade County School Board itself

has ended in the net negative position but a positive fund balance in the last ten years. Chief Financial Officer Mr. Ron Steiger replied that this has never happened. Mr. Salver further probed if the year-end financial statement [of the Miami-Dade County School Board] for the last ten years never had a negative net position. Mr. Steiger said that he would have to check that information and would have to get back to Mr. Salver with an answer. ABAC member Mr. Rudy Rodriguez interjected by saying “no” and clarified that the District would have been in violation, and that would have brought to the District an invasion of auditors, and so forth; and had never had that. As he was a former Controller of this District, Mr. Rodriguez explained that the District could have a deficit in an account or a fund/multiple funds; however, the District would have identified available resources to make that up even though he said “you cannot commingle”. He closed by stating that the answer to Mr. Salver’s question would be “no”.

ABAC member Ms. Beth Edwards inquired whether it was mandatory for charter schools to participate in the professional development offered by Charter Schools Support. Ms. Pauline replied that it is not mandatory; however, she pointed out that a large percent of the schools take advantage of the offer.

ABAC member Mr. del Busto continued visibly upset because in his estimation, although the charters schools are audited and the audits disclose findings, the ABAC can only “hit them with a wet noodle and no other authority”, and once more questioned the intent of the law. Dr. Gallon again pointed to the parameters of the Florida Statute that govern the authority over charter schools. He stated that the process requires an independent audit that is reviewed by the internal auditors. The independent audit is performed by an external CPA audit firm, but to the extent that the internal auditor reports these conditions to the ABAC, there is a distinction between what an audit is reporting as findings for the user’s awareness and what the Board is ultimately allowed to do.

School Board member Dr. Lawrence Feldman said that to relieve the issue of the “wet noodle” he requested from Ms. Pauline to copy the Board members when her office transmits the letters to the charter schools informing them of the non-compliant matters, and to also provide the Board with the charter schools’ response that is submitted to Charter Schools as to how the charter schools will be correcting the non-compliant matter.

Mr. Goodman once again stated that the process of the internal audit department for reviewing these charter school audits is outlined in the office’s transmittal letter. The office will review all 134 charter schools’ financial statements. During these reviews, our office frequently identifies issues. Audit staff then communicates with the contracted auditors, with the management companies and sometimes, with the governing boards to clarify the concerning issues. During these discussions, some issues end up being clarified and resolved, while other issues remain. At all times, the internal audit staff strives to be on top of the issues, and there are different levels of internal controls issues and observations that are brought to the Committee’s attention. The Chief Auditor added that in this report, the findings that are brought to the ABAC’s attention were issued by the external (contracted) auditors as part of their management letter comment, which is required by the audit guidelines.

There being no additional questions or comments, a motion was made by ABAC member Mr. Juan del Busto and seconded by ABAC member Mr. Isaac Salver, which carried unanimously, to recommend that the **Presentation for 31 of 134 Charter Schools Audited Financial Statements FYE June 30, 2019**, be received and filed by the School Board.

8. Monthly Financial Report Unaudited – For the Period Ending November 2019 (INFORMATIONAL)

The Chief Auditor introduced the subject monthly report for November 2019, and turned the presentation over to CFO Mr. Steiger and Assistant Controller Mr. Terrance Ferguson for questions.

ABAC member Mr. Rudy Rodriguez posed a question related to the Year-To-Date actual totals reported under the General Fund. He asked as to the revenue that was not received to offset the expenditures, and the reason why the expenditures reported were higher when compared to the revenues. Assistant Controller Mr. Terrance Ferguson replied that this dis-alignment was due to timing differences related to the receipt of tax revenues; and explained that the bulk of these revenues was received in December [following month]. Mr. Rodriguez was satisfied with the response.

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

9. Magnet Educational Choice Association, Inc. (MECA)—History, Fiscal and Operational Issues (INFORMATIONAL)

The Chief Auditor Ms. Maria T. Gonzalez introduced the subject matter by stating that this was a follow-up to a discussion at the ABAC meeting of December 2019 in reference to the MECA audit performed by the external audit firm of C Borders-Byrd, CPA, LLC. She also noted that the audit report of MECA was transmitted to the School Board in December 2019.

Ms. Gonzalez explained that at the request of the ABAC members, she and her staff had met with MECA's Executive Director Mr. William McAuliff and MECA Board member Mr. Richard de Aguerro in January 2020. She explained that the intent of this meeting was to go over the internal control issues noted in the audit, the matter of MECA's declining revenue stream which could significantly impact the organization's ability to continue going forward, and related fiscal issues. In regard to the financial outlook plan requested by the ABAC, both Mr. McAuliff and Mr. de Aguerro stated that the organization does not have a plan in writing. Also, during the meeting, the Chief Auditor pointed that up to the present, the District has been paying for the external audit services of MECA. However, going forward, the external audit services contract for 2020 will not be renewed, and MECA will have to procure their own external auditor to audit MECA's financial activity in 2019-2020. According to both Mr. McAuliff and Mr. de Aguerro, a recent meeting with the Board of MECA was held and the MECA Board is aware of all concerns posed by the ABAC, including the matter of the external auditor which was also mentioned during the December ABAC meeting.

The Chief Auditor further explained that in December, ABAC members had requested inviting the MECA Board Chair and Board members to the ABAC meeting of February 2020. Consequently, at today's meeting, Mr. McAuliff was in attendance in addition to several MECA Board members, namely, Ms. Elbe Burke, Dr. Judith Stein and Mr. Ben Launerts. In addition, ABAC members received in the ABAC's meeting package a booklet provided by Mr. McAuliff containing the organization's by-laws, historical narrative, and a list of accounts/stakeholders that the organization has as of present. Lastly, the Chief Auditor noted that in addition to the booklet, her office had prepared two graphs representing the trend of total expenditures, revenues, administrative fees and general/administrative expenditures for the past five years, which should assist with this discussion.

Mr. McAuliff thanked the ABAC for the opportunity and confirmed that the Chief Auditor, he and Mr. de Aguero had an extensive meeting, and although he was “grilled quite a bit”, he was given an opportunity to express his point of view. He then introduced MECA Board members, Ms. Elbe Burke who had been the President of MECA for almost 30 years until recently voted out. He added that Ms. Terry Wong is the new President.

He added that after the meeting with the Chief Auditor, MECA held a meeting on January 23rd, and members voted to increase the administrative fee by two (2) percent. He said that Chief Auditor Ms. Gonzalez had mentioned the fees for the [next] audit, and representatives from various academies (Hospitality and Tourism, Finance and Informational Technology) that work with MECA were planning to reach out to business partners seeking pro-bono work or to negotiate a family/friendly rate for the external audit. They also plan to re-initiate their fundraising activities.

Mr. McAuliff continued with a brief presentation of MECA’s main activities, the importance of the organization’s presence in the school system, how they receive funds in the account and how the organization pays bills in a timely manner. He then introduced Mr. Ben Launerts, who is the immediate past Chair of the Academy of Finance and Tourism and his current job is Region Vice-President of Park One.

Mr. Launerts made his introduction and stated the reason for attending the meeting. He wanted to reassure the ABAC of MECA’s mission and the great things that MECA does for the students and the community. He mentioned the various business partners, which include hotels and theme parks, their volunteer work, their involvement with some of their projects such as golf tournaments, “Around the World Dinner” and similar; and their partnership with the Miami Heat Day Camp as well as MECA’s agreements with the cruise industry to pay for student transportation to their events. He added that MECA was committed to increasing revenues, and to pay for the audit. He emphasized that MECA is passionate about this work and all is done for the kids. Last, he noted that Mr. McAuliff is retiring, and they are considering not replacing him but seeking a third-party administrator to handle that work.

Next, Dr. Judith Stein introduced herself to the Committee and said that it was nice to see several School Board members that she worked with in the past, particularly Ms. Rojas, who was a former Magnet School Principal. Dr. Stein jokingly said that “she is still alive” at 80 years old but continues to be active with MECA. She explained that MECA has been around for about 30 years and its members want MECA to keep going.

School Board member/ABAC member Ms. Mari Tere Rojas thanked Mr. McAuliff for the amazing work that he has done part-time for MECA, considering the small staff available to assist him in that endeavor; commended Dr. Stein for her efforts and her legacy with Miami-Dade County Public Schools and magnet programs; and also thanked Ms. Gonzalez for bringing all this information to the Committee. In her words, although she fully supports MECA, this information provides a new perspective that was not available at the last ABAC meeting. Ms. Rojas shared her concerns regarding some of the controls and revenue shortfalls and went over the graphs provided by Ms. Gonzalez’s office. Ms. Rojas then inquired as to the reason why MECA had lost the \$125,000 grant from JPMorgan Chase to the Foundation [for New Education Initiatives]. Mr. McAuliff replied that when the Foundation took charge of that grant in the summer of 2018, MECA lost \$6,250 in administrative fees. However, he said that he was not at liberty to discuss why the grant was taken over by the Foundation. He also added that on the charts that Ms. Gonzalez prepared, only brand-new money is reflected; however, the organization has about \$300K in the checking account.

Ms. Rojas also mentioned her previous request for written parameters and timelines and pointed to the auditor's report regarding the ability for MECA to continue operating. She requested that Mr. McAuliff elaborate on the steps taken for a 3-5 year plan and on the opportunity for MECA to merge with the Foundation.

Mr. McAuliff stated that around 2011-2012 MECA did not know if it was going to continue since revenues had dwindled because the interest revenue paid on CDs had diminished. Also, the salary of MECA's Executive Director had to be covered with MECA's administrative fees. He said that at one point, he met with Dr. Feldman to discuss a request through Associate Superintendent Ms. Iraida Mendez-Cartaya for the Foundation to take over the functions of MECA. However, it came back that the Foundation could not do certain functions and the reason why the organizations needed to continue operating separately. Mr. McAuliff noted that for activities involving the cruise lines, there is a Memorandum of Understanding through the Office of Community Engagement that MECA receives the funds to be paid as soon as possible for the bus services that transport students to the cruise lines. Also, MECA handles the Autism Prom. In this case, he said that MECA provides the service to pay bills within 48 hours if needed.

Ms. Rojas inquired about the proposed change to personnel that would handle the accounting of MECA and the written plan. Mr. McAuliff replied that on the recent meeting of MECA on January 23rd there was not sufficient time to work out strategies mentioned, such as contracting an outside company to take care of the accounting part of it. He added that he could not provide a five-year plan now. At Ms. Rojas' insistence, Mr. McAuliff stated that MECA is planning to hold a Board meeting on March 5th and a yearly meeting in May, and he needs time to draft a concrete plan. He said that a written plan could be provided after the next MECA Board meeting through Ms. Gonzalez's Office.

ABAC member Mr. Steven Hunter Johnson inquired about the fundraising issue and whether MECA had implemented a fundraising plan or sought the assistance of fundraisers. Mr. McAuliff stated that to hire a fundraiser employee under a 501c3 [non-profit] is very technical. Mr. Hunter Johnson replied that as former President of a 501c3 he did two things: 1) schedule for payments to be able to manage the organization's cash flow; and 2) look for more friends since new money is a goal, and get new ideas, in order to run the organization at a surplus. Mr. Launerts replied that they have fundraisers for scholarships and field trips and student conferences. He said that the academies are willing to commit each year, and he feels confident that a written plan is forthcoming. He added that although the numbers presented at the ABAC do not look good, the organization has always had money and never had a cash flow issue.

School Board member Dr. Lawrence Feldman wanted to clarify the framework under which the conversation between MECA and the Foundation ensued several years ago. He stated that Judy [Dr. Stein] goes back a long time with magnet programs both nationally and internationally. Regarding Bill [Mr. McAuliff], Dr. Feldman noted that Bill was one of the auditors at the schools when Dr. Feldman was Assistant Principal, then Principal and later Director. Therefore, Dr. Feldman felt very comfortable with Bill's work and with having conversations with him in reference to MECA. Additionally, when Dr. Feldman acted as the School Board Chair [of the School Board of Miami-Dade County Public Schools], he automatically sat as an officer of the Foundation. Once there, the issues not only of the Foundation but other issues relative to the Foundation were discussed as well. Consequently, in 2017, when he sat on the Foundation, they discussed concerns and issues related to MECA and its longevity; and pursuant to his position in the Foundation, he had some conversations with Bill regarding MECA, and had a similar conversation with Judy. Dr. Feldman stated that the Foundation proffered that they could pay bills as promptly

and take care of things as well as MECA and have MECA come under a subset of the Foundation. According to him, although the conversation was very well done, a couple of months later, it hit a glitch and the proposal did not come to fruition. Dr. Feldman also mentioned that the current School Board Chair, in her current position on the Foundation, may have had a similar conversation related to MECA.

School Board Chair Ms. Perla Tabares Hantman immediately clarified to the ABAC that she has never met with Mr. McAuliff and never had a conversation with him related to MECA. She explained that as the Foundation's Vice-Chair, it is more than anything a ceremonial situation, and noted that Dr. Feldman held that position for one year. She further clarified that the Superintendent of Schools is the Chair of the Foundation and the one who makes the decisions; and while at the Foundation, she has never been briefed on this particular matter of MECA or related matters.

After some discussion over timelines and dates, the ABAC requested and Mr. McAuliff agreed to bring a written plan for MECA at the ABAC meeting of May 12th.

The Chief Auditor thanked Ms. Elbe Burke, Dr. Judith Stein, Mr. Ben Launerts and Mr. William McAuliff for having attended the meeting and for providing all the information; and closed by stating that she also hopes that they all attend the ABAC meeting in May.

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

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

The Chief Auditor made a brief presentation of the activity report of her office. She summarized the work that her office has done so far, namely, the school and property audits, district and charter school audits. She also pointed to the work of the Civilian Investigative Unit (CIU), noting that CIU has caught up with the prior year's backlog. Also, she went over the audit projects currently in progress, her office's participation in various meetings, committees, and personnel changes and issues related to the filling of some open positions. Ms. Rojas congratulated the CIU on their progress and that they are fully staffed.

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

OLD BUSINESS

Ms. Rojas stated that at the last ABAC meeting in December, the investigative report related to Chabad-Chayil had been presented to the ABAC for informational purposes; and at that time, a response from the Administration by January 25, 2020, was requested and was pending. Then Ms. Rojas further stated that the response had been submitted to the Office of the Inspector General (OIG) by the due date; and inquired from the OIG members present at the ABAC meeting if the OIG was satisfied with the response.

Deputy Inspector General Mr. Felix Jimenez acknowledged that his office had received the response; and replied that they were encouraged with the response and were planning to continue a dialogue with the Administration regarding the response.

No additional questions were posed. This was intended 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 and seconded, the meeting was adjourned **at 2:35 p.m.**

MTG: