

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
March 29, 2011**

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The School Board Audit Committee (AC) met on Tuesday, March 29, 2011 at 12:30 p.m. in the School Board Administration Building, Conference Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

**Members Present:**

Voting:

Mr. Frederick F. Thornburg, Esq., Chair  
Dr. Lawrence Feldman, School Board Vice Chair  
Mr. Willie Kemp  
Mr. Mayowa Odusanya, Esq.  
Mr. Jose I. Rasco, CPA  
Mr. Roland Sanchez-Medina, Esq.  
Mr. Jeffrey B. Shapiro, Esq.

**Members Absent:**

Ms. Susan Marie Kairalla  
Ms. Wendy Lobos  
Mr. Isaac Salver, CPA

Non-Voting:

Dr. Richard H. Hinds, Associate Supt./CFO  
Mr. Jose F. Montes de Oca, CPA, Chief Auditor

**1. Call to Order**

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The AC Chair called the meeting to order at 12:39 p.m. and warmly welcomed everyone in attendance.

Mr. Thornburg asked for a moment of reflection on the truly tragic events that befell on Japan and the continuing problems in Haiti and the Middle East.

**2. Introductions**

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Mr. Thornburg asked everyone to introduce themselves. The following persons were present:

Ms. Perla Tabares Hantman, School Board Chair	Ms. Enid Weisman, Assistant Superintendent
Dr. Dorothy Bendross-Mindingall, School Board Member	Mr. Charles Hurley, Chief of Police
Mr. Carlos Curbelo, School Board Member	Mr. Jaime Torrens, Chief Facilities Officer
Dr. Wilbert T. Holloway, School Board Member	Ms. Judith Marte, Chief Budget Officer
Ms. Raquel Regalado, School Board Member	Ms. Connie Pou, Controller
Mr. Alberto M. Carvalho, Superintendent of Schools	Ms. Daisy Naya, Assistant Controller
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Luis Garcia, Deputy Asst. School Board Attorney	Mr. Julio C. Miranda, Asst. Chief, Investigative Affairs
Mr. Freddie Woodson, Deputy Superintendent	Mr. Trevor L. Williams, Asst. Chief, Oper. & Perf. Audits
Ms. Millie Fornell, Associate Superintendent	Ms. Deborah Karcher, Chief Information Officer
Dr. Helen Blanch, Assistant Superintendent	Mr. Jorge L. Garcia, Administrative Director
Ms. Iraida Mendez-Cartaya, Asst. Superintendent	Ms. Ava Goldman, Administrative Director
Mr. Carl Nicoleau, Assistant Superintendent	Ms. Cynthia Gracia, Administrative Director
Dr. Dan Tosado, Assistant Superintendent	Ms. Marie Izquierdo, Administrative Director

**Attendance Continued**

Ms. Marta Montaner, Administrative Director  
Ms. Penny Parham, Administrative Director  
Ms. Tiffanie Pauline, Administrative Director  
Dr. Ana M. Rasco, Administrative Director  
Ms. Vivian Santiesteban-Pardo, Adm. Director  
Ms. Mindy McNichols, Asst. Sch. Brd. Attorney  
Ms. Olga Botero, Executive Director  
Mr. Javier Perez, Executive Director  
Ms. Nicki Brisson, Director  
Mr. Jon Goodman, Director  
Ms. Chris Morgan, Director  
Mr. Rodolfo Rodriguez, Director  
Ms. Tamara Wain, Director  
Mr. Norberto Ferradaz, Audit Supervisor  
Mr. Luis Baluja, Supervisor  
Mr. Joe Cardelle, Supervisor  
Mr. Michael Fox, Risk Analyst  
Mr. James O'Donnell, ITS  
Ms. Bertha Valcarcel, Administrative Assistant  
Mr. Jerold Blumstein, Administrative Assistant  
Ms. Mary Carabeo, Administrative Assistant  
Mr. Blake Juste, Administrative Assistant  
Mr. Greg King, Administrative Assistant  
Ms. Emilie Macceus, Administrative Assistant  
Ms. Suzanne Matthews, Administrative Assistant  
Ms. Marisol Perez, Administrative Assistant  
Ms. Ana Pereira, Administrative Assistant  
Ms. Dalia Rosales, Administrative Assistant  
Ms. Nicole Rapanos, Administrative Assistant  
Ms. Liana Tommasi, Administrative Assistant  
Ms. Lourdes Amaya, Administrative Aide  
Ms. Elsie Berrios-Montijo, Administrative Secretary  
Ms. Sheryl Ragoo, Administrative Secretary

Ms. Rocka Malili, Balere Language Academy  
Ms. Caridad Hidalgo-Gato, AWAE  
Ms. Lorrie Davidson, CSUSA  
Mr. Richard Garcia, CSUSA  
Ms. Irene Fraga, Fraga Engineers  
Ms. Laura Perez, LMP & Assoc  
Ms. Dannie McMillon, Life Skills Ctr.  
Mr. Dennis Clark, Renaissance  
Mr. Ed Pozziak, Renaissance  
Mr. William Bensen, Renaissance  
Ms. Ana Cordal, Renaissance  
Mr. Manuel Rodriguez, Treasurer, Balere Lang. Aca.  
Mr. Dan Ricker, Publisher and Editor

The Committee welcomed its newest member Mr. Jose I. Rasco, CPA, who was appointed by School Board member Mr. Carlos Curbelo. Mr. Curbelo was in attendance at the meeting to welcome Mr. Rasco. Mr. Rasco said that he looks forward to making a contribution through the Committee and the School Board to the education of students in Miami-Dade County Public Schools.

### **3. Approval of the Minutes of the Audit Committee meeting of February 1, 2011**

The Chair drew the Audit Committee members' attention to the minutes for the Audit Committee meeting of February and asked whether any members had questions relating to the content of the proposed minutes. There being no questions, a motion was duly made by Mr. Sanchez-Medina and seconded by Mr. Shapiro to approve the proffered minutes to serve as the official memorialization of the February 1, 2011 Audit Committee meeting. The motion carried unanimously.

The Chair complimented Chief Auditor Montes de Oca and his team on their typically superb job in drafting the minutes.

### **4. Superintendent Carvalho's Comments Re: Financial Condition of M-DCPS**

Superintendent Carvalho made an impacting presentation on the dire financial conditions that the district will face in its next fiscal year. Mr. Carvalho provided a synopsis of the revenue shortfalls projected to face M-DCPS under the budget proposals submitted by the Governor, the Senate and the House of Representatives. Under each of the budget proposals, the outlook for M-DCPS is dismal, with cuts ranging from \$146 million under the Senate's proposal to \$214.9 million under the Governor's proposal. The Superintendent emphasized the inequity of the cuts by pointing out that although education makes up only 29% of the State's budget, 72% of the proposed cuts (almost the exact inverse) are imposed on education.

Mr. Carvalho lamented that although the situation is highly and patently unfair, he is not waiting around for any unlikely windfalls and miracles. The Superintendent explained that he, along with his team, continue to reach out for sympathetic ears in the legislature; however, at the same time they are making plans for the inevitable cuts that must be made at the school system.

Chief Financial Officer Dr. Hinds, elaborated on some of the points made by Mr. Carvalho and explained that layoffs of employees who are paid from Capital funds are inevitable. He noted that recommendations in this regard will be canvassed with the School Board at its April 13, 2011 meeting.

This presentation was made solely for informational purposes.

## **5. Charter Schools Cost-Analysis Report – School Board Member Mr. Renier Diaz de la Portilla Item H-27**

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Mr. Montes de Oca presented to the Committee, School Board item H-27 proposed by School Board member Renier Diaz de la Portilla and unanimously approved by the School Board at its March 9, 2011 meeting. The item seeks to ascertain the financial cost to the district for administering charter schools contract operations by directing the Superintendent to conduct a cost-analysis report and having the Chief Auditor review and transmit the cost-analysis report to the Committee.

The item was unanimously endorsed by the Committee.

This item was presented solely for informational purposes.

## **6. Status Report of the Minority/Women Business Enterprises (M/WBE)**

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Mr. Thornburg explained that in the absence of the Ad Hoc Committee Chair Ms. Susan Kairalla, due to an unavoidable scheduling conflict when the Audit Committee date was changed, Mr. Carl Nicoleau, Assistant Superintendent, Maintenance Operations provided an update on the status of the on-going dialogue between the district's administration and members of the minority and women-owned enterprises.

Mr. Nicoleau explained that he and other members of the administration continue to meet with these community members to explore the possible modification of School Board policies in an endeavor to enhance participation by these groups which want to do business with M-DCPS. Mr. Nicoleau noted that the administration is looking into establishing reciprocity with other governmental units which have certified companies as M/WBE.

This report was presented solely for informational purposes.

### **EXTERNAL AUDITS:**

## **7. State of Florida Auditor General Reports**

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### **(a)Operational Audit of the Miami-Dade County District School Board for the Fiscal Year Ended June 30, 2010**

Dr. Hinds introduced the report and stated that there is also a financial audit, which is part of the Comprehensive Annual Financial Report (CAFR), and he is responsible for that report. He explained that the CAFR was presented in December 2010 and there were no findings reported. He further explained that the operational audit focuses on departmental items and

staff members from the various departments are available to respond to any question/concerns the Committee may have.

Although the Committee members expressed confidence in the responses provided by the administration to their many questions, some members still harbored concern over several findings and corresponding recommendations and discussed them at great length. The Chair then suggested and the Superintendent and Chief Auditor agreed to provide the Committee within six months with a follow-up by the Office of Management and Compliance Audits on the status of the implementation of the recommendations that the administration had agreed to implement. It was the sentiment of the Committee members that this follow-up will help dispel their fiduciary obligations.

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 Operational Audit of the Miami-Dade County District School Board for the Fiscal Year Ended June 30, 2010 be received and filed by the School Board subject to the condition that a follow-up report by Superintendent and Chief Auditor on these findings and endeavors to correct outstanding issues be provided within a time period not to exceed six months.

#### **(b)Single Audit for the Fiscal Year Ended June 30, 2010**

Mr. Thornburg informed the audience that this item was not completed in time for the Committee meeting today. Mr. Montes de Oca explained to the Committee that this report will be presented to the Committee at its next scheduled meeting for its review and transmittal to the School Board.

The Committee endorsed this approach to addressing the Single Audit for the fiscal year ended June 30, 2010.

#### **8. Review of Audited Financial Statements FYE June 30, 2010 for the following four Charter Schools (Two Renaissance Schools and Two Life Skills Schools)**

Mr. Montes de Oca presented the audited financial statements for the last four of the 82 charter schools which operated in Miami-Dade County during the 2009-10 fiscal year.

Mr. Miranda explained that these schools posed no financial or academic concern to the Office of Management and Compliance Audits. However, the auditors expressed concern about the schools' required not-for-profit status and their apparent lack of independence from their for profit management companies. The concerns centered on the fact that one of the management companies receives 97% of the school's qualified gross revenues, and it is not clear whether the contracts were negotiated at arm's length since contracts were entered into for more than 5 years, etc. Although it was recognized that these concerns did not specifically constitute per se violations of the charter, the governing criteria are contained in the IRS Charter School Guide providing questions its agents are supposed to ask when reviewing applications for exemptions. Under this Guide there appears to be a real shadow of doubt on the independence of not-for-profit operation from its management company.

After a protracted discussion and after representatives of the charter schools expressed their disagreements with the concerns raised by the Office of Management and Compliance Audits and Charter School Operations, the Committee members decided that there were a number of nebulous areas and possible legal issues that merit closer scrutiny by the School Board Attorney.

Mr. Harvey is to report back with an opinion regarding his conclusions on the independence issue.

Ms. Tiffanie Pauline, Administrative Director, Charter School Operations, made a presentation showing the bleak financial situation facing Balere Language Academy. Balere had provided a Corrective Action Plan to the Committee in December 2010, which ambitiously projected an operating surplus of \$81,571 by June 30, 2011. However, the latest report by the school, as of January 2011, projects an operating deficit of \$(385,000).

Representatives of the school contended that the (\$385,000) projected operating deficit provided to the District was erroneous and the prior principal who submitted it was asked to resign. Representatives from the school also indicated that the school was actually expected to have a surplus and offered a cash flow statement supporting that projection.

Several members of the Committee expressed their strong opinions that the school has a track record of poor financial performance and is consistently over optimistic on its financial outlook. It was also pointed out by staff that Balere has also had poor academic performance, numerous operational problems and contract violations.

Chair Thornburg repeated his earlier concerns that the Balere contentious may be fairy dust and without foundation. Members of the Audit Committee asked Balere's administration to provide the revised financial information to the Office of Management and Compliance Audits.

The Balere follow-up was informational only and did not require action from the Committee.

A motion was made by Mr. Medina seconded by Dr. Feldman which carried unanimously to table the transmittal of these financial statements to the School Board and requested that the School Board Attorney, Mr. Walter Harvey, research the issues and perhaps obtain an opinion from outside counsel with expertise in the subject as to whether the charters have been legally violated.

## **INTERNAL AUDITS:**

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

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Ms. Maria T. Gonzalez, Assistant Chief Auditor, School Audits Division, presented the Selected Schools Audit and pointed out to the Committee that the report includes the audit results of 45 schools, two of which had audit exceptions.

Mr. Odusanya referred to page 50 of the report and inquired whether the discrepancies found are being investigated.

Ms. Gonzalez explained that the principal was aware of the discrepancies and has in fact taken corrective action. She added that the audit procedures dealing with the affected areas indicate discrepancies that may have taken place after the end of the audit period, which was June 30, 2010.

Mr. Rasco commended Ms. Gonzalez for a very thorough report, noting that the audits of the 45 schools examined were exemplary and acknowledged being very impressed.

Mr. Woodson commented that schools are having less findings than during prior years even though there are fewer staff members now to carry out the responsibility of the schools.

Chair Thornburg also complimented Ms. Gonzalez on her stellar endeavors and Mr. Woodson and his team on the overall excellent performance of the schools.

Dr. Feldman congratulated all the schools with no audit exceptions, but specifically saluted the two schools that had findings during the prior year and fully corrected them during the period under review.

There was no further discussion and upon a motion duly made by Mr. Odusanya, seconded by Mr. Shapiro, that carried unanimously, it was recommended that the Internal Audit Report – Selected Schools be received and filed by the School Board.

#### **10. Internal Audit Report – Network and Information Security, Information Technology Services Infrastructure and Systems Support Area III - Selected Schools**

Mr. Trevor Williams, Assistant Chief Auditor, Operational and Performance Audits, introduced the report and noted that this audit is the first of its kind since these procedures were conducted as part of school audits in the past. Because school IT personnel was recently part of a reorganization in which they now report to Ms. Karcher, the audit was tailored to be in sync with that change. Mr. Williams explained that the focus for this audit was on the Infrastructure and Systems Support (ISS) of Area III schools which include 58 schools and noted that 21 of those schools were audited. An assessment of the remaining 37 schools within ISS Area III will be made at a future date. Mr. Williams commended the ITS team for its efforts which should yield positive results in the future.

Several Committee members expressed concern about a potential for problems, given the way security over the network is being handled.

Ms. Karcher observed, however, that the school administrators are very conscientious of their responsibilities and have taken them seriously when these issues were brought to their attention.

Responding to a request for follow-up on these issues, Mr. Montes de Oca respectfully explained that it would be too early to provide a follow up, since this is the first group of schools that were audited and there is still a large percentage of the schools to complete. He suggested completing the audits of all the schools before conducting follow-ups. Mr. Williams

concurred with Mr. Montes de Oca and added that as they have been visiting more schools he has noticed the situation improving.

The Chair did not register objection to the Chief Auditor's recommendations of delaying follow-up.

Lastly, Mr. Thornburg inquired as to whether there were any incongruities between this audit and previous findings by KPMG. Mr. Montes de Oca indicated that the areas of emphasis are different and no major inconsistencies exist.

There was no further discussion and upon a motion duly made by Mr. Sanchez-Medina, seconded by Mr. Shapiro, that carried unanimously, it was recommended that the Internal Audit Report – Network and Information Security, Information Technology Services Infrastructure and Systems Support Area III - Selected Schools be received and filed by the School Board.

#### **11. Internal Audit Report – Administrative Offices Network and Information Security Audit – Miami-Dade County Public Schools Police**

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Mr. Williams presented the report and explained that basically the same criteria used for the schools' IT audits are being used to audit the District offices, because he believes the same degree of risks might exist in both places. Mr. Williams opined that since most of these findings appear to be occurring and have been detected in both audits of district offices as well as the schools' audits, he believes a comprehensive district-wide approach toward addressing the issues identified is the best approach.

Dr. Feldman asked to what degree the police department has the personnel necessary to fulfill the recommendations noted in the report and whether they have the proper access, identification, etc., that would enable them to do their job accurately.

Chief Hurley talked about the outdated generation of technology used in the department, which is about seven years old. He remarked that before Mr. Carvalho became Superintendent, technology needs in the police department were never properly addressed, but because the Superintendent voiced his concerns to the United States Department of Justice, Mr. Hurley was pleased to announce that he received confirmation that the Police Department will be receiving new laptops for the police cars. In regards to existing resources, Chief Hurley explained that he has only one employee, Mr. Cardelle, who takes care of all of the technology needs for the department and recognized him for doing a commendable job. Mr. Hurley said that he appreciates the opportunity to work with the Office of Management and Compliance Audits on the recommendations made and added that with the new laptops arriving, it represents the perfect time to perform a test run. He further stated that if based on the test, the recommendations could be successfully implemented, he will be ready to move forward with their full implementation.

Dr. Feldman inquired as to whether any barriers exist that would inhibit what Chief Hurley and the Superintendent are attempting to achieve in terms of updating the police department.

Chief Hurley responded that the new technology will aid the situation; however, there may be some red tape involved, but he will be better informed after testing is conducted.

Mr. Williams further explained that because resources are limited, implementing the recommendations will aid in alleviating the resources issue because a significant portion of the technology maintenance and support functions manually performed by the police department would then be automated.

School Board Member Dr. Wilbert T. Holloway inquired about how the system maintenance and security issues are being addressed by other police departments and at what cost. Mr. Odusanya also inquired about the security risks where police officers have unrestricted access to the computer and confidential information that goes above their pay grade.

Chief Hurley responded that he does not agree that this is a security issue.

Mr. Montes de Oca noted that there is going to be a review of the recommendations and discussions will take place on what can be implemented. He believes that it is sometimes healthy to have some degree disagreements, because it forces both parties to look even more closely at the issues.

Mr. Rasco asked what is the most sensitive data stored in the devices. Mr. Cardelle responded that the information is not stored in any of the devices and that an employee has to logon with his/her credentials to access the information.

Mr. Rasco also asked why Mr. Cardelle does not have administrative access to some of the areas. Chief Hurley responded that ITS is the department best qualified to answer the question; however, if Mr. Cardelle had administrative access some of the findings would not have existed.

After some more 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, Administrative Offices Network and Information Security Audit – Miami-Dade County Public Schools Police be received and filed by the School Board.

## **12. Follow Up Review- District Facility Leasing Practices**

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Mr. Williams explained that the report was a follow up to an internal audit report issued in June 2007, which contained nine recommendations. He observed that the follow-up disclosed that all recommendations have been fully implemented. Congratulations were extended to Mr. Jaime Torrens and his staff for a superb job.

There was no discussion and upon a motion duly made by Mr. Shapiro, seconded by Mr. Sanchez-Medina, that carried unanimously, it was recommended that the Internal Audit Report, Follow Up Review – District Facility Leasing Practices be received and filed by the School Board.

## **13. Update on the Status of Proposed Draft - Audit and Budget Advisory Committee** **School Board Rule 6Gx13- 2C-1.142**

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After some discussion and clarification about the proposed changes, the Committee agreed with the few changes that had been made and was pleased to learn that the Proposed Draft – Audit and Budget Advisory Committee School Board Rule 6Gx13- 2C-1.142 would be going to first reading as part of the revision of all School Board Rules.

There being no further discussion and upon a motion duly made by Mr. Sanchez-Medina, seconded by Mr. Shapiro, the motion carried unanimously, in recommending that the Proposed Draft - Audit and Budget Advisory Committee School Board Rule 6Gx13- 2C-1.142 be submitted for first reading to the School Board.

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

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Mr. Montes de Oca highlighted two investigations: one that occurred at Charles R. Drew Middle School and the other at the Maintenance Department. At Charles R. Drew Middle School, he pointed out, the investigation entailed misappropriation of funds by the treasurer, who confessed and was referred to the State Attorney's office and subsequently arrested. With respect to the Maintenance Department, the Chief Auditor explained, there were improper expenditures incurred through credit card usage of approximately \$62,000. Credit card charges of \$26,000 were disputed by our accounts payable department and refunded to M-DCPS. For the remaining \$36,000 the vendor agreed to reimburse M-DCPS, Mr. Montes de Oca concluded.

This report was for informational purposes only.

#### **15. Election of Audit Committee Vice Chair**

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Mr. Montes de Oca opened the floor for nominations of the Vice Chair. Mr. Thornburg nominated Mr. Shapiro and Mr. Montes de Oca then asked if there were any other nominations. There were none, and Mr. Montes de Oca asked for a second. Mr. Kemp seconded the nomination. The voting was unanimous in favor of Mr. Shapiro.

#### **OTHER BUSINESS:**

The AC Chair recommended that two items which are not addressed in this agenda be revisited at the next scheduled meeting.

The first item is the issue of School Board Member Ms. Raquel Regalado's request at the February 1, 2011 Audit Committee which raised the issue of the cost to the School Board of the services being provided by the Office of the Inspector General (OIG). The Controller, Ms. Connie Pou, had provided Ms. Regalado as well as the other School Board members, the Superintendent, the AC members and the Chief Auditor with a summary of these billed costs. Subsequently, the Chief Auditor prepared and distributed to the aforementioned parties a more comprehensive compilation and analysis of these expenditures.

The second item is the status of the Friends and WLRN proposed operating agreement, he understands from the School Board Attorney that there has been no real progress yet. Mr. Harvey confirmed this understanding.

The School Board Chair, Ms. Perla Tabares Hantman, observed that she had spoken to the Chief Auditor immediately after receiving for the first time the reimbursement package from the OIG and expressed concern about there not being wider distribution of the materials by the OIG. During the course of discussions, concern was also voiced relating to the method used to bill the School District for services rendered and whether the invoices should have been paid as submitted. The discussion continued as to what constituted proper documentation for reimbursement under the terms of the Interlocal Agreement between the School Board and the County.

The Superintendent expressly indicated that the Interlocal Agreement's governing provisions are extremely liberal in their reimbursement requirements and are inconsistent with the School Board policies. Further, he noted that these provisions are not reflective of the very difficult and challenging economic times the District is now facing.

As result of the discussions, School Board Vice Chair, Dr. Lawrence Feldman, made a motion which was seconded by the Chair of the Audit Committee, and unanimously approved to have the School Board Attorney, Mr. Walter Harvey, review the Interlocal Agreement and work with the School Board to assure the Interlocal Agreement is in sync with the School Board policies.

## **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. Thornburg at 4:24 p.m.