

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
March 16, 2010**

The School Board Audit Committee met on Tuesday, March 16, 2010 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
Mr. Manuel A. Gonzalez, CPA, Vice Chair
Ms. Susan Marie Kairalla
Mr. Willie Kemp
Mr. Peter A. Lagonowicz, Esq.
Mr. Rayfield McGhee, Esq.
Mr. Nick Tootle, CPA

Non-Voting:

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

Members Absent:

Ms. Perla Tabares Hantman, School Board Vice Chair
Ms. Wendy Lobos
Mr. Robert Schomber

Call to Order

Audit Committee Chair Mr. Frederick Thornburg called the meeting to order at 12:36 p.m. and welcomed everyone in attendance.

1. Introductions

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

Dr. Lawrence Feldman, School Board Member	Ms. Deborah Karcher, Chief Information Officer
Ms. Ana Rivas Logan, School Board Member	Mr. John Schuster, Chief Communications Officer
Dr. Marta Perez, School Board Member	Ms. Connie Pou, Controller
Mr. Walter J. Harvey, Esq., School Board Attorney	Ms. Daisy Naya, Assistant Controller
Mr. Luis Garcia, Deputy Asst. School Board Attorney	Ms. Maria T. Gonzalez, Asst. Chief, School Audits
Mr. Freddie Woodson, Deputy Superintendent	Mr. Trevor L. Williams, Asst. Chief, Operational Audits
Ms. Milagros Fornell, Associate Superintendent	Dr. Sylvia Diaz, Administrative Director
Mr. Jaime Torrens, Chief Facilities Officer	Ms. Cynthia Gracia, Administrative Director
Ms. Ava Byrne, Assistant Superintendent	Ms. Penny Parham, Administrative Director
Mr. Joseph A. Gomez, Asst. Superintendent	Ms. Melinda McNichols, Senior Attorney
Ms. Vera Hirsh, Assistant Superintendent	Mr. Julio C. Miranda, District Director, OM&CA
Ms. Iraida Mendez-Cartaya, Asst. Superintendent	Ms. Alyce Neji, District Director
Dr. Marcos Moran, Assistant Superintendent	Ms. Tiffanie Pauline, Executive Director
Mr. Carl Nicoleau, Assistant Superintendent	Mr. Jon Goodman, Director
Ms. Maria Teresa Rojas, Assistant Superintendent	Ms. Dina Pearlman, Director
Ms. Enid Weisman, Assistant Superintendent	Ms. Tamara Wain, Director, OM&CA
Mr. James Dillard, Inspections Officer	Ms. Bernadette Poitier, Supervisor
Mr. Scott Clark, Risk/Benefits Officer	Mr. Dylan Hughes, Supervisory Agent, OIG

Attendance Continued

Mr. Luis Baluja, Audit Supervisor, OM&CA
Mr. Brad Powell, Supervisor, EFCC
Ms. Teresita Rodriguez, Auditor, OM&CA
Ms. Raquel Alexander, Administrative Assistant
Mr. Jerold Blumstein, Administrative Assistant
Ms. Ana Lara, Administrative Assistant
Ms. Vivian Lissabet, Administrative Assistant
Ms. Jannette Montalvo, Administrative Assistant
Ms. Libby Perez, Administrative Assistant
Ms. Dalia Rosales, Administrative Assistant
Ms. Bertha Valcarcel, Administrative Assistant
Ms. Lourdes Amaya, Admin. Asst.
Ms. Elsa Berrios-Montijo, Admin. Secr.
Ms. Sheryl Ragoo, Admin. Secr.

Ms. Cynthia Borders-Byrd, C Borders-Byrd, CPA LLC
Mr. Tom Bradley, Partner, E&Y
Ms. Patrice Jones, Sr. Mgr., E&Y
Ms. Janet Altman, Chair, Friends of WLRN
Dr. Phillip A. Hall, Board Chair, Excel Academy
Mr. Robert Martin, Director, Excel Academy
Mr. Lionel Nerette, Manager, R&B Financial

After the introductions, Mr. Thornburg emphasized the seriousness of the Audit Committee's mission noting the contributions by its talented volunteer members. He thanked them for volunteering their time, experience and professional talent for the benefit of the School District and the Community. Notwithstanding the seriousness of the work the Committee conducts, the Chair suggested that there should also be time set aside to having fun and that is the reason for adorning the conference room with Saint Patrick's Day decorations, the distribution of the Irish Flag pins, and the drawing for the Saint Patrick's Day center pieces.

Mr. Thornburg gave accolades to Mr. Montes de Oca and his team for compiling a great agenda and producing accurate and well-written minutes.

2. Approval of the Minutes of the Audit Committee meeting of January 26, 2010

There being no questions, a motion was made by Mr. Gonzalez and seconded by Mr. McGhee to approve the minutes of the January 26, 2010 Committee meeting, as presented. The motion carried unanimously.

He reminded the members to recall that the Audit Committee is now attempting to contribute more to the School System than serving in a traditional "rear view mirror capacity". In this challenging economic times, he urged the Committee members to be proactive and to bring creative ideas and solutions to problems to the attention of the School Board, the Superintendent and senior management.

The Chair asked and the Committee members agreed to move up Item #6 first on the agenda, in order to afford time to Mr. Luis Garcia, to attend to other School Board business.

EXTERNAL AUDITS:

3. Status – Ernst & Young, LLP’s Audit Report: The School Board of Miami-Dade County, Florida, Single Audit Report (in accordance with OMB Circular A-133 Year ended June 30, 2009)

Mr. Montes de Oca informed the Committee that the Single Audit Report was scheduled to be presented at the March meeting but there were some *bona fide* disagreements between the outside auditors and the School District’s administration regarding certain documentation requirements related to the American Recovery and Reinvestment Act (ARRA) funds. The issues are being researched and the responses to the proposed report are being drafted. In addition, an extension to the March 31, 2010 filing date has been requested, to assure the report is timely submitted to the federal government. Assuring the extension is granted Mr. Montes de Oca, proposed that, once the report is finalized, it will be submitted to the Audit Committee at the May meeting. If the extension is not granted, a special meeting of the Audit Committee will have to be convened for purposes of presenting and reviewing the report. He also advised that given the fact that the report is still being drafted, the purpose of this Agenda item is solely informational and obviously no discussion on any of the issues should take place at this time.

Since this Agenda item is only informational, no transmittal to the School Board by the Audit Committee was required.

Note: The extension for filing the Single Audit Report until May 31, 2010 was approved on March 16, 2010.

4. Financial Statements of The Foundation for New Education Initiatives, Inc. for the Period from Inception (November 24, 2008 to June 30, 2009)

Ms. Cynthia Borders-Byrd presented her report and noted that the financial statements of The Foundation for New Education Initiatives, Inc. are for the Period from Inception (November 24, 2008 to June 30, 2009). The report contains an unqualified opinion, which is the best opinion that can be bestowed upon financial statements and is accompanied by a Management Letter that contains three short, helpful recommendations to improve internal controls.

Mr. Thornburg inquired as to whether there are annual report tracking requirements under the governing IRC provisions and attendant IRS regulations.

Ms. Mendez-Cartaya noted that the foundation is classified as a public charity and indicated she would investigate the issue of possible tracking requirements and would report back to the Committee.

There was no further discussion and upon a motion duly made by Mr. Tootle, seconded by Mr. Lagonowicz, which carried unanimously, it was recommended and approved that the

Financial Statements of The Foundation for New Education Initiatives, Inc. for the Period from Inception (November 24, 2008 to June 30, 2009) and subject to the tracking requirement issue be received and filed by the School Board.

OTHER REPORTS/PRESENTATIONS:

5. Status Report on WLRN Operating Agreement

Mr. LaBonia gave a status report and follow-up to the January 26 Audit Committee meeting and the agreement to the request of the Superintendent and the Audit Committee that WLRN and Friends meet in an endeavor to negotiate a needed operating agreement in the next 60 days. He explained that an informal meeting between WLRN and Friends had been held to discuss the agreement in an overall concept. He noted that WLRN had presented a proposed agreement in draft form. Mr. LaBonia explained that at this time the second draft is being circulated amongst the parties and will be submitted to the Audit Committee and the Superintendent once it is completed and agreed to. Mr. LaBonia thanked Mr. Harvey for his advice, counsel and assistance in drafting the proposed discussion document.

Ms. Janet Altman, President of Friends of WLRN, also expressed her support for the steps being taken.

It was agreed that the parties would provide an updated progress report at the May 11, 2010 Audit Committee meeting.

Since this status report was for informational purposes only, no transmittal by the Committee to the School Board was required.

6. (a) Proposed Amendments to School Board Rules Related to the Office of the Inspector General Proposed Reporting Requirements by Board Member, Ms. Ana Rivas Logan

Mr. Harvey explained the content, history and purpose of the item which includes reconciling the School Board Rule with the Interlocal Agreement (ILA) between the County and the School Board.

Mr. Thornburg complimented Ms. Logan for her efforts in bringing forth this item.

Ms. Logan stated that her office will be providing a copy of the ILA for the Audit Committee's review. She then explained that any changes to the proposed Inspector General School Board Rule must be in agreement with the ILA, which will have to be opened and any changes will have to go through the County as well as M-DCPS. She noted that the purpose of her item is to codify the existing School Board Rule to bring it into agreement with the ILA. Ms. Logan observed that nothing is new.

Mr. Thornburg questioned whether the proposed Board Rule mirrored the ILA.

Dr. Perez stated that she is not in favor of the Rule being codified and gave some history of the way the Office of the Inspector General was arranged in the past. She does not believe that the way the office is presently functioning is the best arrangement for M-DCPS. She then noted that if the Rule is codified there needs to be more determination as to the way the IG's office will interface with the School District.

Mr. Thornburg stated that he was not aware that all the information noted in the proposed IG Rule is also included in the ILA between the County and M-DCPS and indicated that he has not been privy to or have read the ILA.

Ms. Logan pointed out that this item was approved by the School Board on a five to four vote and the revised School Board Rule was to be presented for first reading the following day. Mr. Thornburg expressed reservations with respect to parts of the proposed OIG Rule.

Mr. Thornburg harbored concerns and reservations over possible fairness, constitutional procedural and substantive due process and vagueness issues that might be attendant to adopting the proposed Rule as currently drafted.

The Chair also raised a question as to whether parts of the proposed Rule constituted an encroachment on the School Board's rights, authority and responsibilities under the Florida Constitution by not having the IG report to any entity in the system. He recognized the vital importance of the IG having independence in regard to investigative matters, but still questioned whether from a budgetary and taxpayer standpoint there should be some oversight by the School Board or its designee.

Mr. Thornburg did take care to expressly proffer accolades to School Board member Ms. Ana Rivas Logan for her efforts to meet the need to better clarify and define the role of the OIG. He also complimented the Inspector General on his outstanding efforts since undertaking his duties. Mr. Thornburg emphasized that this is a matter of clarifying the language of the proposed Rule to avoid possible constitutional issues.

Mr. Gonzalez noted that the IG is overlapping activities with other entities within M-DCPS. Mr. McGhee wondered if the contract is duplicating some functions already being performed.

Mr. Lagonowicz agrees with codification of the Rule, because it brings consistency.

Ms. Kairalla stated that the two changes made to the Rule are consistent with the agreement and explained that Ms. Logan's concern was the reporting chain.

Mr. Harvey clarified that Ms. Logan is correct that the ILA does not conflict with the Rule. Mr. Harvey explained what the ILA consists of, the processes and added that what is needed is to define the process of when the reports are produced where they go.

Ms. Logan stated that the intent is to reiterate the timeline, because the reports sometimes do not go anywhere.

In response to a question by the Chair, Mr. Hughes explained that through the Interlocal Agreement the OIG reports to the Board, but as a matter of course the Superintendent, as

the operational officer, always receives the reports. In the case of the Audit Committee and Ethics Advisory Committee receiving the reports, the Committees receive the reports through the Chief Auditor's determination.

After further discussion, a motion was made by Mr. Gonzalez, seconded by Mr. McGhee, which carried with the exception of the Chair, to recommend to the School Board the changes to the proposed draft Rule.

Ms. Logan thanked everyone on the Committee and emphasized that her recommendation is important to the School Board.

6(b) Proposed Draft Audit and Budget Advisory Committee Board Rule

Mr. Kemp advised that the use of name should be consistent throughout the Rule.

Mr. Gonzalez commented that this Rule has been reviewed many times and a decision has not been made and although he agrees that volunteers should be protected, it is time for the Audit Committee to make a recommendation.

Mr. Thornburg asked Mr. Clark if the Committee members are protected by School Board insurance in the event they are sued as a result of their recommendations to and actions taken on behalf of the School Board. Mr. Clark responded that they are. Mr. Thornburg then requested Mr. Clark to confirm his opinion in writing to provide the Audit Committee with comfort.

Mr. Gonzalez suggested tabling this item and bringing it back to the Committee finalized. Mr. Lagonowicz concurred.

Ms. Kairalla remarked responsibility of reviewing and assisting in developing the budget is delicate and complex and wanted to hear from the Budget department on how the Committee can assist with and at the same time keep it as simple as possible.

At the Chair's request, Dr. Hinds expressed his view on how this Committee can assist and suggested that the Committee should serve as an advisory committee to bolster the School Board's confidence and integrity for their own budgetary decision-making.

Mr. Thornburg observed that obviously it will be impossible for the Committee's volunteers to get into the bowels of the Budget process and agreed with Dr. Hinds that the Committee's role necessarily had to be advisory and macro in nature.

Mr. Kemp made reference to page 4, where it states that the Committee is advisory, and agrees with the concept of the Committee being an extra pair of eyes for the Board. Mr. Tootle agreed with tabling this item and reviewing it at a later time.

It was then decided that the sub-committee consisting of Mr. Gonzalez, Mr. Lagonowicz, Mr. McGhee, Ms. Kairalla, Mr. Harvey, and Mr. Montes de Oca be established to make final recommendations in the wording of the proposed rule. Committee member Lagonowicz accepted the Chair's request to Chair the sub-committee.

There was no further discussion. A motion was made by Mr. McGhee, seconded by Mr. Lagonowicz that carried unanimously, to table the Proposed Draft Audit and Budget Advisory Committee Board Rule and establish a Sub-Committee to further review and finalize the Draft Rule.

7. Report from the Ad Hoc Sub-Committee – Forensic Audit

Mr. Gonzalez reported on the results of the Ad Hoc Sub-Committee on the Forensic Audit which met on Thursday, February 18, 2010, to consider the proposals contained in Agenda Item H-13 which was originally submitted by Dr. Marta Pérez and approved by the School Board at its October 14, 2009, meeting. This matter came before the Audit Committee as a result of the direction of the School Board to the Chief Auditor to report to the School Board the estimated cost of performing several forensic audits and to have the Audit Committee review and make recommendations that would strengthen the process (internal controls) currently in place. Mr. Gonzalez explained there was substantial discussion as to whether the School District should engage an outside firm to perform forensic audits of various departments and contracts. The sub-committee considered, among other facts, the cost of performing these audits. According to a preliminary quotation obtained by the Office of Management and Compliance Audits, the cost of this engagement could range between \$325,000 and \$525,000.

Mr. Montes de Oca further elaborated that the sub-committee discussed the usage of a computer-based software that can be obtained at no cost to the District. In essence, this software is designed to identify e-mail traffic in the school system that might indicate potential fraud activity. Mr. Montes de Oca also explained that this software was identified by a police officer of the school system that has access to this software and who is knowledgeable and willing to work with the Office of Management and Compliance Audits.

Mr. McGhee referred to the transmittal letter from the sub-committee dated February 25, 2010, and asked for clarification on why the proposal to make polygraph tests a condition of employment for employees was tabled.

Mr. Harvey said that he needed some time to review any possible legal and labor contractual implications such a requirement may entail. He committed to report back to the Audit Committee on his findings in respect to this issue.

Mr. Thornburg noted that the possible legal issues might be obviated if the requirement to submitting to a polygraph test was a condition precedent to employment. He also said the polygraph test only be utilized on a very limited basis where circumstances dictated and warranted it. He noted that simply having the right to resort to the use of the polygraph test had great deterrent value but agreed the possible legal/labor issues should be researched by Mr. Harvey.

Mr. Thornburg noted that the suggestion of utilizing a “roving” auditor from the Office of Management and Compliance Audits to look for defalcation was something viable if it could be done with existing resources. Mr. Montes de Oca offered to reallocate some of his staff to work with Mr. Julio Miranda, District Director, in charge of investigations to pursue this idea.

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

8. M-DCPS Monthly Financial Report – December 2009

Ms. Pou introduced the report and noted that this quarterly report includes the balance sheet and statement of revenues and expenditures for all the District funds.

Mr. Kemp indicated that he was pleased to see that food service operations is no longer operating at a deficit.

Dr. Hinds explained that it is very difficult to operate food service in the black, particularly because benefits that are paid to the permanent part-time workers including FICA, FRS, and Workers' Compensation are very costly.

Mr. McGhee asked what factors enabled the District food service operations to move away from its deficit.

Dr. Moran noted that first of all; the accolades belong to Ms. Parham and staff. He explained that there are the three factors that made possible to move from the "red" to the "black": (1) reduced expenses; (2) set labor hours according to standards and; (3) increased the number of students that participate in free and reduced-price lunch program by 3%, while reducing the corresponding cost by 7%.

Ms. Parham observed that a significant contribution to revenues was the increased number of lunches that were served to senior high school students through March 2010, which in addition to the tightening up of expenses, accounted for over \$955,000.

Ms. Rivas Logan commented that due to the weak economy, children will be more likely to eat in the schools, and inquired if prices had been increased.

Ms. Parham responded that prices had been increased two years ago.

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

OTHER REPORTS:

9. Budget Resolutions

Ms. Judith Marte, Chief Budget Officer made a succinct presentation, explaining the purpose of the resolutions and noting that for the first time in anyone's recollection the budget resolutions passed on consent at the February 10, 2010 School Board meeting. Dr. Hinds

observed that the tough part of the budget for the school system is now the revenue, as opposed to the expenditures, because of the complexity and vagaries of the State funding and very limited input that can be provided by M-DCPS.

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

10. Report on Proposed Language to Strengthen the Bidding and Rebidding Processes

The Chair introduced the report and mentioned that at the request of the Audit Committee at its meeting of January 26, 2010, the administration has provided creative suggestions on how to strengthen the process for extending contracts versus rebidding. He observed that the administration is recommending that any contract extension beyond the stated maximum contract length in the RFP be brought to the Audit Committee for discussion prior to School Board Action. Mr. Thornburg complimented Mr. Clark on his creative and positive approach to resolving the rebidding/contract extension issue that has affected the system historically.

Mr. Clark stated that the current school board rule, which is specific to risk management and insurance procurement contracts, does require that RFP's go before the School Board for approval. He explained that renewals of the contracts are approved by the Board. Mr. Clark explained that cognizant of School Board members' comments at the last Audit Committee meeting, he recognizes that the School Board would feel more comfortable knowing that the Audit Committee gave any contract extension its stamp of approval.

Mr. Thornburg welcomed the innovative recommendation that effectively provides a dual filter on contract extensions, but expressed concern with the current workload of the Audit Committee, which is likely to increase with its proposed budgetary responsibilities.

Ms. Kairalla suggested that another advisory committee could be established to review the renewal or extensions to these contracts.

After further discussion, Mr. Thornburg agreed with Ms. Kairalla and asked Mr. Clark to revisit the issue of whether the Audit Committee is the right forum for this task and to report back to the Committee. The Audit Committee concurred with the Chair's suggestion.

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

11. EXcel Academy North – Update

Mr. Williams introduced the report and explained that the audited financial statements for this school were presented at the January meeting and there were numerous issues discussed and the Audit Committee requested the school to provide quarterly unaudited statements as of December 31, 2009. Pursuant to the Audit Committee's request a report on the schools'

unaudited financial statements was submitted for a six-month period ended December 31, 2009. Mr. Williams noted that those financials were analyzed and the results were outlined in the memorandum from the Office of Management and Compliance Audits presented to the Committee.

Mr. McGhee referred to page 2 of the memorandum and asked Mr. Williams to expound on the note regarding the \$200,000 federal grant received by the school and whether the school was on target with its revenue projection and the significance of only receiving 35% of projected revenues.

Mr. Williams explained that federal grant is a one-time funding source, received by the school as of December 31, 2009 and cautioned that because it is not a recurring revenue source it could be considered as artificially or temporarily inflating the fund balance.

Representatives from Excel continued to express confidence in the school's ability to improve its financial posture.

Audit Committee members continued to voice deep concern and reservation over the prospect for Excel to overcome its financial woes and requested Excel's administration to provide a third quarter update at the Audit Committee's May meeting. The Chair also noted that there had been disruptive and frequent changes in Excel's leadership.

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

12. Update on the Food Service On-line System

As a follow-up to a request made by the Audit Committee at its meeting of January 26, 2010, Ms. Parham explained that The Department of Food and Nutrition's Decision Support System (DSS), has proceeded into Phase III of implementation to publish the cafeteria location profit and loss statements to coincide with the District's Monthly Statement of Operations. This phase of development by the DSS interfaces school site food and supply expenditures with labor expenditures and total revenue to produce a timely profit and loss analysis at the site level. This phase is currently in process and scheduled to go live for use at individual school site food service programs in August 2010.

On behalf of the Committee Mr. Thornburg gave accolades to Ms. Parham and Ms. Kairalla also reiterated compliments to Ms. Parham.

This report was for informational purposes only; therefore, no transmittal by the Audit Committee was required.

INTERNAL AUDITS:

13. Office of Management and Compliance Audits' Activity Report

Mr. Montes de Oca informed the Committee that as of this date all the district audits included in the annual audit plan for the entire fiscal year for his office except for one are either started or completed. In addition, he noted that his office took on an additional audit requested by administration and produced two follow-ups that were not specifically identified in the audit plan.

Mr. Thornburg said that he is impressed with the quality of work that comes out of this office.

This report was for informational purposes only, hence, no transmittal by the Audit Committee was required.

14. Internal Audit Report – Selected Schools

Dr. Feldman expressed his delight over the fact that 47 school audits noted in the above-captioned report, from various regions and selected district offices, did not have any findings and noted that many schools can do this is proof of outstanding work.

Ms. Kairalla stated that she was also very pleased to see these many clean audits and noted that principals should be complimented in the same manner they are criticized for exceptions.

Mr. Thornburg pointed out that earned and well-deserved complimentary letters are sent to the principals and treasurers, by the Superintendent. He felt these communiqué's of recognition and congratulations were a terrific idea and that it is important to recognize the hard-working and successful principals and treasurers.

Ms. Gonzalez also complimented principals and their staffs on a great job.

Dr. Hinds pointed out that \$24 million of purchases in equipment were inventoried and only \$650 of depreciated property losses were reported. The finding is truly amazing as noted by the CFO and Chief Auditor.

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

15. Internal Audit Report – District's Electronic Instructional Technology Purchasing and Placement Practices

Mr. Montes de Oca introduced the report and informed the Committee that this was a new initiative that needed to be implemented within a short time period after funds became available to the District. Consequently, the administration did not have enough time to develop a well designed plan and that may have resulted in some of the findings that were reported; however, the administration was very receptive to the recommendations and has addressed them.

Mr. Williams added that the focus of the audit was on the implementation of the Instructional Technology of the School System's objective of providing targeted schools with new computers which were reviewed over a two-year period and evaluation of the purchases and placement processes used for specific technology. In addition, the appropriateness of the purchases in terms of actual need and usefulness was also examined.

Mr. Tootle inquired about the \$271,000 in unused equipment in relation to total purchases of \$18.2 million.

Ms. Fornell responded that this amount was derived from 22 schools that were visited and noted that all of the equipment is currently being utilized.

Mr. McGhee referred to page 13, and inquired about the statement: "challenges that exist in attaining and maintaining full compliance with the stated goal due to the fact that the definition of a modern computer continues to evolve."

Dr. Sylvia Diaz responded that they follow the State's guidelines and that such guide posts change every year as to what is deemed to be a modern computer. So basically, she stated, it is a moving target.

There was no further discussion and upon a motion duly made by Mr. Tootle, seconded by Mr. Gonzalez, which carried unanimously, it was recommended and approved that the Internal Audit Report – District's Electronic Instructional Technology Purchasing and Placement Practices be received and filed by the School Board.

16. Internal Audit Report – School Board Attorney's Office

After the introduction of the report Mr. Lagonowicz asked Mr. Harvey about the lengthy transition period what may have caused that, and what steps should be put in place.

Mr. Harvey welcomed and complimented the audit which he said provided him with insight as to formulating plans to enhance the efficiency of his office.

Mr. McGhee asked who are the other departments that procure for their own legal services.

CPA Williams referred to page 17, where it lists, Risk Management, Treasury Management, Labor Relations and WLRN Radio and Television Station as departments that procure their own legal services.

Mr. Harvey said that he has entered into discussions with those departments to provide assistance in selection of counsel with the intent to control costs.

The Chair expressed deep concern about the various District departments handling their own legal affairs and approving invoices of outside counsel. He opined that to put an effective governor on outside legal cost, all legal outside services should be coordinated with Mr. Harvey's shop. He also pointed out that there appears to be a strong trend in industry toward

less outsourcing of legal services to save money and suggested that shifting to the use of more in-house counsel may prove to be more cost-effective. Additionally, Mr. Thornburg recommended that the department consider as a vehicle for saving money the possible use of negotiated “cutting edge” and innovative compensation arrangements with outside counsel, such as set fee arrangements rather than utilizing the traditional vehicle of charging by the hour. He observed that it appeared that approaching 75% of legal costs are flowing to outside counsel and wondered if this percentage is in line with industry practice.

Mr. Harvey explained that their existing legal agreement is expiring in the near future and the attorneys in his office are currently drafting an item to present to the Board that will put out a Request for Information proposal for legal services that will encompass a lot of the areas referenced in the report and noted by Audit Committee members.

Mr. McGhee said he agreed with the recommendation contained in the report that states that Mr. Harvey should have oversight of all District legal matters and suggested that agreements with outside counsel should have a provision that the Board Attorney must be made aware and have the final say on all legal matters.

Mr. Harvey explained that he is in the process of working with the other departments to coordinate legal activities. He found that attorneys can play a vital role in terms of controlling cost of outside counsel and that guidelines are important; however, the School Board attorney concluded that these guidelines are not worth the paper they are written on if they are not enforced.

Mr. Thornburg complimented Mr. Harvey for his endeavors during his short tenure as the School Board Attorney.

Mr. Harvey shared the credit with his attorneys.

There was no further discussion and upon a motion duly made by Mr. Gonzalez, seconded by Mr. McGhee, which carried unanimously, it was recommended and approved that the Internal Audit Report – School Board Attorney’s Office be received and filed by the School Board.

17. Follow-up Review on the Audit of the Construction Plan Review, Permitting, and Inspection Processes

Mr. Williams explained that he is satisfied with the results of the follow-up. However, he expressed concern with the present reporting structure where the Compliance Officer reports to the Chief Facilities Officer, which calls into question the issue of independence in the reporting line. Mr. Williams observed that this is no reflection on the Chief Facilities Officer, who has responded appropriately. In addition, Mr. Williams complimented Mr. Torrens for his responsiveness to the follow up.

There was no further discussion and upon a motion duly made by Mr. Lagonowicz, seconded by Mr. Gonzalez, which carried unanimously, it was recommended and approved that the

Follow-Up Review Report – Construction Plan Review, Permitting, and Inspection Processes
be received and filed by the School Board.

18. Follow-up on the Audit of Graphics and Materials Production Department

Mr. Montes de Oca commended Mr. Torrens and Ms. Poitier for the turnaround in this department, by among other things, implementing the recommendations contained in the audit report presented to the Audit Committee at its June 23, 2009 meeting.

This report was for informational purposes only; therefore, no transmittal by the Audit Committee was required.

Mr. Montes de Oca reminded the Committee that the Superintendent was not able to attend today's meeting because, as the Audit Committee was formally informed by memorandum from his office, he was in a trip to Washington, D.C. accompanying the Governor and other dignitaries to speak on behalf of a grant for the State of Florida related to the Race to the Top funds. Mr. Montes de Oca noted it was a distinction for Mr. Carvalho to represent the State of Florida, and he could not think of a better person to do that.

OTHER BUSINESS:

19. New Business

There was no new business to discuss.

Adjournment

Upon motion duly made and seconded, and there being no further business to come before the Committee, Mr. Thornburg adjourned the meeting at 3:08 p.m.

The agenda items were discussed in the following order: 2, 6, 3, 4, 14, 5, 7, 8, 9, 11, 10, 13, 15, 16, 17, 18.