

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
September 9, 2008**

The School Board Audit Committee met on Tuesday, September 9, 2008 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Ms. Betty Amos, Chair
Ms. Perla Tabares Hantman, Board Member
Mr. Manuel A. Gonzalez
Ms. Susan M. Kairalla
Mr. Jeffrey B. Shapiro
Mr. Vidal Marino Velis

Non-Voting:

Mr. Allen M. Vann

Members Absent:

Mr. Frank Carollo
Mr. Willie Kemp
Mr. Robert Schomber, Vice Chair
Mr. Robert Stein
Mr. Nick Tootle

Call to Order

Ms. Amos, Chair called the meeting to order at 12:48 p.m.

Introductions

Ms. Amos asked everyone present to introduce themselves. The following persons were present:

Dr. Marta Perez, School Board Member

Ms. Ofelia San Pedro, Deputy Superintendent

Mr. Luis M. Garcia, Acting School Board Attorney

Dr. Grace L. Ali, CFO

Ms. Connie Pou, Controller

Ms. Daisy Naya, Asst. Controller

Ms. Judith Marte, CBO

Mr. Jaime G. Torrens, Chief Facilities Officer

Mr. Michael Bell, Asst. Supt.

Mr. Will Gordillo, Asst. Supt.

Ms. Maria T. Gonzalez, Assistant Chief Auditor-School Audits

Mr. Trevor Williams, Assistant Chief – OPA

Ms. Ana Lara, Adm. Asst. to Ms. Perla Tabares Hantman

Ms. Vivian Lissabet, Adm. Asst. to Ms. Ana Rivas Logan

Mr. Richard Tapia, Adm. Asst. to Mr. Renier Diaz de la Portilla

Mr. George A. Nunéz, Reg. Supt, So. Central Reg. Ctr.

Ms. Janet Hupp, Reg. Supt., So. Regional Ctr.

Dr. Essie S. Pace, Reg. Supt., North Central Reg. Ctr.

Ms. Sylvia R. Rojas, Treasurer

Ms. Ana Rijo Conde, Planning Officer

Mr. Victor Alonso, Design Officer

Mr. Nicolas Betancourt, Sr. Design of Constr.

Attendance continued:

Ms. Bertha Valcarcel, Staff Member –

Ms. Hantman's Office

Mr. Jorge L. Garcia, Adm. Dir.

Ms. Marta Montaner, Adm. Dir.

Ms. Ana M. Rasco, Adm. Dir.

Ms. Mary L. Snipes, Adm. Dir.

Ms. Gretchen Williams, Adm. Dir.

Ms. Kenneth Wheeler, Adm. Dir.

Ms. Ellen Wright, Adm. Dir.

Mr. Antonio Martinez, Dist. Direct.

Mr. Julio C. Miranda, Dist. Direct.

Ms. Tabitha Fazzino, Executive Director

Mr. Jon Goodman, Director

Ms. Tamara Wain, Director

Ms. Dina Pearlman, Info Sys Design Control

Mr. Dylan Hughes, Supervisory

Mr. John Kennedy, Special Agent

Mr. Luis Baluja, Audit Supervisor

Mr. Tony Cotarelo, Specialist, Media Relations

Ms. Veretas Fernandes, Senior Auditor

Ms. Lourdes Amaya, Admin. Aide

Ms. Elsa Berrios-Montijo, Adm. Secretary

Ms. Sheryl Ragoo, Adm. Secretary

Mr. Dan Ricker, Watchdog Report

1. Approval of the Minutes of the Audit Committee meeting of June 24, 2008

A motion was made by Mr. Gonzalez and seconded by Mr. Shapiro to approve the minutes of the June 24, 2008 Audit Committee meeting. The motion was carried unanimously.

EXTERNAL AUDITS:

2. Annual (un-audited) Financial Report 2007-2008

Dr. Ali introduced the report and provided the Committee the results of the Annual (un-audited) Financial Report.

Ms. San Pedro stated that there was an increase in salary expenditures with the multi-year agreements with the collective bargaining units. She noted that Fiscal Year 2007-08 was the second year of the collective bargaining agreement and the major driver for the increase was employee raises of \$92 million for the year. The salary increases were effective July 1, 2007, and provided a major adjustment to the salary schedule for teachers, which brought the starting teacher salary to \$38,000.

Ms. Amos inquired about when the audited financial report will be presented to the Committee.

Ms. Pou responded that the report will be presented in December 2008.

There was no action required, since this item was transmitted for informational purposes.

3. Charter Schools Update/Audit Committee Workload

Mr. Goodman gave an informative power point presentation on the growing number of charter schools in Miami-Dade County and the commensurate growth of fiscal oversight responsibilities for the Audit Committee.

Ms. Hantman asked about the Lincoln Marti Schools and if they were allowed to be convert from private schools to charter schools.

Mr. Bell stated that our attorney is researching the issue and will render an opinion on whether they can convert from private schools to charter schools.

Mr. Garcia stated that generally, non-profit private schools can convert to charter schools.

Dr. Perez asked whether these for-profit schools could simply convert to non-profit in order to further convert to public charter schools.

Mr. Bell responded yes.

The Committee was satisfied with the information presented.

There was no action required, since this item was presented for informational purposes.

INTERNAL AUDITS

4. Office of Management and Compliance Audits' Activity Report

Mr. Vann stated that the information in this item will be discussed with the next item, the 2008 Annual Report on Audit Activities; and is being forwarded for informational purposes.

Ms. Kairalla inquired if audits are conducted when there is a change in department head.

Mr. Vann responded that he will endeavor to do so, but cannot guarantee it. Throughout the year, he gets requests and he has conversations with the Audit Committee to determine the additions or deletions of audits in the audit plan. He pointed out that, as is the case with all District departments, the internal audit department is experiencing irreplaceable loss of staff, which puts stress on getting planned audit work done.

5. 2008 Annual Report on Audit Activities

Mr. Vann introduced the report and noted that during his 4½ years with the District as Chief Auditor, he has seen continuous improvement. He also noted that he appreciates the continued support of the Audit Committee and the encouragement of the School Board members. He noted that the job could not get done without the trust the District staff has in the audit department. Mr. Vann highlighted the following areas:

- 1) School Audits - Ms. Gonzalez has transformed the school audits by testing new areas such as Technology, Title I, Grants, and FTE; and noted that with the added fieldwork 97% of audits were completed this year. He stated that 11% of the schools audited had room for improvement, while 89% of the schools were in compliance.
- 2) Property Audits - 400 District work locations were completed and the loss rate for the year was .06%, a negligible increase of .01% over last year.
- 3) The Audit of Inventories concluded that everything was accurately recorded and accounted for.
- 4) Mr. Vann noted that Mr. Williams and his staff conducted a number of big picture audits throughout the year and they are owed a debt of gratitude.
- 5) Mr. Miranda has conducted a dozen investigative audits, where fraud was revealed, individuals were forced to resign, and restitutions were paid.
- 6) Mr. Vann also noted that 60 charter school audits were reviewed by the Committee.
- 7) The office was itself audited by a Peer Review Team from The Association of Local Government Auditors. He was pleased to report that the results were satisfactory and the team was very impressed with the quality of the District's function.

Mr. Vann stated that last year was a busy year for the audit department and he expects this year to be just as busy. He thanked the Audit Committee, staff, and the Board for the joint cooperation and help.

Ms. Amos commended Mr. Vann and staff for a great job. She made a suggestion to have the names of the Audit Committee members included in the Annual Report in the future.

Mr. Shapiro referred to page 21, and asked in the case of John A. Ferguson Senior High School, whether the principal is still working in the school system.

Mr. Nuñez responded that this case is under investigation and the principal is on alternate assignment pending the outcome of the investigation and has no ties with finances in his current assignment.

Mr. Shapiro referred to page 25, and asked about the outcome of this case, where a school psychologist was working for her personal private practice during school hours.

Mr. Miranda responded that this case was forwarded to the Office of Professional Standards.

Ms. Amos requested a follow-up on the outcome of this case.

There was no further discussion. A motion was made by Mr. Shapiro, seconded by Ms. Amos, and carried unanimously, to recommend that the 2008 Annual Report on Audit Activities be received and filed by the School Board.

6. Internal Audit Report – Selected Schools

Ms. Gonzalez introduced Mr. George Nuñez and noted that he will be overseeing School Operations while Mr. Woodson is out on leave. Ms. Gonzalez gave an overview of the 43 schools and centers audited and stated that the financial statements at those schools were all fairly stated. She also reported the property audit results for Miami Southridge Senior as part of a follow-up.

Ms. Amos stated she was glad to see Miami Southridge Senior was reported on and asked if all the money will be paid back.

Ms. Gonzalez responded that the school is making every effort to get the money back.

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

7. Internal Audit Report – Award and Administration of Construction Projects

Mr. Williams introduced the report and turned it over to Mr. Torrens who had a brief presentation outlining the Districts construction activities.

Mr. Torrens stated that because of the numerous issues surrounding the District's construction program about 5 years ago, necessitating a State oversight board, to oversee the program it is important to briefly highlight the improvements and accomplishments.

Mr. Williams presented the scope of the audit. He noted that while the Office of School Facilities successfully met its aggressive goal of delivering an increased number of student stations, as outlined by Mr. Jaime G. Torrens, Chief Facilities Officer, substantial deviations from policies and procedures were observed, especially in the bidding process where there were instances of subcontracts not awarded to the low bidder. Mr. Williams also noted that State contracting requirements need to be adhered to and internal controls need considerable improvement. In addition, project allowances and construction contractor management costs appeared excessive. Mr. Williams recommended that potential cost savings could be achieved by performing independent audits of individual construction contracts upon their completion.

Ms. Kairalla stated that the recommendations for change, deficits need to be tightened up.

Mr. Gonzalez believes that there is a monitoring problem.

Mr. Williams noted that the goal is to audit larger projects using an outside firm, but to continue to monitor the smaller ones internally. This depends on the available resources. He also explained that the outside CPA firm cannot do any work until the project is closed out.

Dr. Perez shared with the Committee her concerns resulting from the difficulties experienced by the construction program over the years. The previous administration reorganized the department and implement cost savings recommended by the oversight board. The current administration moved forward with the construction of a large number of student stations. This audit shows there was a need to improve the construction process. During that period, maybe we should have looked closer at the construction program from an audit point of view. Bringing in CPAs from outside is a good idea that may result in savings to pay for needed maintenance. She expressed satisfaction to see increased audits of the construction program.

Ms. Amos stated that the construction department has come a long way from the oversight days and has accomplished a lot in a short period of time. She noted that Mr. Williams report shows that there is still room for improvement.

Ms. Kairalla inquired about the outside CPA firm and asked who made that recommendation.

Mr. Vann responded that the recommendation was made to the Office of Facilities and Procurement Management. He noted that Ms. San Pedro recommended a CPA firm from which the services will be procured under an existing contract in place with another school district.

Ms. San Pedro stated that this firm was referred to her by a Chief Financial Officer from another District, and saved them significant monies through these audits. She noted that we are permitted to use a contract that has already gone through the bidding process at another school district.

Ms. Amos commended Mr. Williams on a great report and told Mr. Torrens that she felt that he took too defensive a posture with his responses and thought the report should be a helpful tool.

Ms. Hantman inquired about the cost to hire an outside CPA firm.

Mr. Vann responded about \$10,000 to \$15,000. He noted that the Office of Management and Compliance Audits will oversee the work of the independent CPA firm engaged to audit the construction projects.

The committee agreed on the hiring of an independent firm to conduct construction audits.

There was no further discussion. A motion was made by Mr. Shapiro, seconded by Mr. Gonzalez, and carried unanimously, to recommend that the Internal Audit Report – Award and Administration of Construction Projects be received and filed by the School Board.

8. Other Business

a) Inspector General Report – IG08-16SB

Mr. Vann presented to the Committee the Inspector General Report IG08-16SB – Overpayment to Professional Engineering & Inspection Company, Inc. (PEICO) for their consideration and review.

The Committee reviewed the report and there were no inquiries.

b) Enterprise Resource Planning (ERP) – KPMG Review

Mr. Vann updated the Committee on the Review KPMG is conducting on the Enterprise Resource Planning (ERP) project and noted that he will bring the final report to the Committee at the December Audit Committee meeting, if not sooner.

Adjournment

Ms. Amos adjourned the meeting at 2:38 p.m.