

**MINUTES OF THE SCHOOL BOARD AUDIT COMMITTEE
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS
JUNE 26, 2007**

The School Board Audit Committee met on Tuesday, June 26, 2007 at 12:30 p.m. in the School Board Administration Building, Room 916, at 1450 N.E. Second Avenue, Miami, Florida.

Members Present:

Voting:

Mr. Jeffrey B. Shapiro, Chair
Ms. Perla Tabares Hantman, Board Member
Ms. Betty Amos
Mr. Manuel A. Gonzalez
Ms. Lidia Monzon-Aguirre
Mr. Robert W. Schomber
Mr. Robert Stein

Non-Voting:

Mr. Allen M. Vann

Members Absent:

Mr. Carlos M. Trueba, Vice Chair
Mr. Willie Kemp
Mr. Nick Tootle
Mr. Vidal Velis

Call to Order

Mr. Jeffrey B. Shapiro, Chair called the meeting to order at 12:30 p.m.

Introductions

Mr. Shapiro greeted everyone and asked them to introduce themselves, and they did. The following persons were present:

Ms. Evelyn Langlieb Greer, Board Member
Ms. Ofelia San Pedro, Deputy Superintendent
Ms. Carolyn Spaht, Chief of Staff
Mr. Alberto Carvalho, Associate Superintendent
Dr. Geneva K. Woodard, Associate Supt.
Mr. Freddie Woodson, Associate Superintendent
Ms. Maria Teresa Rojas, Asst. Superintendent
Mr. Luis Garcia, Sr. Assistant Board Attorney
Ms. Connie Pou, Controller
Ms. Daisy Naya, Asst. Controller
Mr. Jaime G. Torrens, Temp. Chief Fac. Officer
Mr. Scott B. Clark, Risk/Benefits Officer
Ms. Ana Rijo-Conde, Planning Officer

Ms. Maria T. Gonzalez, Asst. Chief Auditor
Mr. Trevor Williams, Asst. Chief Auditor
Ms. Jerold Blumstein, Adm. Asst. to Dr. Karp
Ms. Denise Izquierdo, Adm. Asst. to Dr. Karp
Ms. Ana Lara, Adm. Asst. to Ms. Hantman
Ms. Vivian Lissabet, Adm. Asst. to
 Ms. Rivas-Logan
Ms. Dalia Rosales, Adm. Asst. to Dr. Perez
Mr. Carlos Saladrigas, Adm. Asst. to Mr. Barrera
Mr. Richard Tapia, Adm. Asst. to Diaz de la
Portilla
Ms. Janet Hupp, Regional Supt., Region V
Mr. George Nuñez, Regional Supt., Region III

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Ms. Melanie Fox, Adm. Director, Region V
Dr. Steve Gallon, III, Administrative Director
Mr. Jorge L. Garcia, Adm. Director, Region IV
Ms. Cynthia Gracia, Administrative Director
Mr. Paul Greenfield, Adm. Director, Region II
Ms. DanySu Pritchett, Adm. Director, Region II
Ms. Felicia Gil, Principal
Mr. Antonio Martinez, District Director
Ms. Bertha Valcarcel, Staff Member,
Ms. Hantman's Office
Ms. Sharrie R. Dean, District Director
Mr. Julio Miranda, District Director
Mr. Michael Levine, Executive Director
Ms. Susan Lilly, Executive Director
Mr. Lander Carn, Director
Mr. Jon Goodman, Director
Ms. Cristina Noya, Director
Ms. Tamara Wain, Director
Mr. Victor Alonso, Construction Officer
Ms. Dina Pearlman, Inf. Sys. Design
Ms. Suhail Calvo, Instructional Supervisor
Ms. Teresita Rodriguez, Audit Supervisor
Mr. Dario Rosendo, Audit Supervisor
Mr. Luis Baluja, EDP Audit Supervisor
Ms. Linda Fife, Supervisor
Ms. Yvonne Barrios, Senior Auditor
Mr. Harry Demosthenes, Senior Auditor
Ms. Mayte Diaz, Senior Auditor

Ms. Germa Garcia, Senior Auditor
Ms. Liana Rangel, Senior Auditor
Ms. Latosha Styles, Audit Coordinator III
Ms. Oria Duarte, Audit Coordinator II
Ms. Reginald Lafontant, Audit Coordinator II
Ms. Vivian Ferradaz, Staff Auditor II
Ms. Jeanette Hanna, Staff Auditor II
Ms. Martha Anderson, Staff Auditor II
Ms. Glendys Valls, FTE Auditor
Ms. Jeannie Vilato, FTE Auditor
Mr. Carl Haun, Senior Property Auditor
Mr. Jorge L. Lopez, Senior Property Auditor
Mr. Rolando Gonzalez, Senior Property Auditor
Mr. Carlos M. Perez, Senior Property Auditor
Mr. Wayne Poller, Senior Property Auditor
Ms. Lourdes Amaya, Administrative Aide
Ms. Alysia Marsh, Secretary
Ms. Elsa Berrios-Montijo, Rec. Secretary
Ms. Patra Lin, Asst. to IG
Mr. Alan Solowitz, OIG
Ms. Claudia Dixon, Ernst & Young
Mr. Michael Patillo, Ernst & Young
Mr. Manuel Garcia, BKR Garcia Co.
Ms. Gabriela Valle, Cuban American Nat. Coun.
Mr. Demetrio J. Perez, Lincoln Marti Com. Agy.
Mr. Dan Ricker, Watchdog Reporter
Ms. Susan Kairalla, Director of Volunteer Svs.

1. Approval of the Minutes of the Audit Committee meeting of April 24, 2007

There was no discussion and a motion was made by Ms. Amos, seconded by Ms. Monzon-Aguirre, which carried unanimously, to approve the Minutes of the Audit Committee of April 24, 2007.

2. Tentative Audit Committee Dates for Fiscal Year '07

The Audit Committee Dates for Fiscal Year 2007-08 provided were approved.

3. Election of Chair and Vice Chair

Mr. Vann provided a brief summary regarding the procedures for the election of Chair and Vice Chair for the audit committee. He read from the board rule that the election of Chair and Vice Chair shall be elected annually for no more than two consecutive years for either office from its ten community members. Ms. Amos nominated Mr. Shapiro for Chair seconded by Ms. Hantman and Mr. Schomber nominated Mr. Trueba for Vice Chair, seconded by Ms. Monzon-Aguirre. A unanimous vote casted for the re-election of Mr. Shapiro as Chair and Mr. Trueba as Vice Chair.

4. Evaluation of External Auditors for the Audit of the Fiscal Year Ended June 30, 2006

Mr. Vann provided this year's results of the Evaluation of External Auditors survey which was completed electronically by most of the Audit Committee members, all key members of senior financial staff. He explained that responses were satisfactory and there were some good written suggestions.

Mr. Vann reminded the Audit Committee that this year will conclude the services of Ernst & Young, LLP and their subcontractors S. Davis & Associates, P.A. and Sanso, Kline, Jacomino & Company. He plans to work with the Procurement Department to prepare a new Request of Proposal for the Audit Committee to review at the next Audit Committee meeting in September.

He noted that the Audit Committee may discuss the School Board Rule 6Gx13- 2C-1.141, External Auditing Firms, Rotation Policy. In which states that:

The School Board of Dade County has a policy of rotation of its external auditors at least every five years. The agreement with the external auditors is negotiated for three years with an option to renew for two additional years or not to exceed a maximum audit period of five years. To properly effectuate the rotation policy, the audit firm at the end of the audit period will be precluded from submitting proposals.

After some more discussion the Audit Committee recommended and were of the opinion that repeal of the current Rule would afford the District the additional flexibility needed to secure the services of the best qualified firm at a competitive fee.

Mr. Schomber asked Mr. Vann to take into consideration the suggestions mentioned in the survey when writing the RFP.

There was no further discussion and a motion was made by Ms. Amos, seconded by Ms. Monzon-Aguirre, which carried unanimously, to recommend to the School Board to repeal the above mentioned School Board Rule.

5. Audit Plan for Annual Financial Statements for Fiscal Year '07

Mr. Patillo introduced the report and outlined the scope of the audit. He noted that they are currently completing the planning phase of the audit of the basic financial statements of the District. He highlighted the major activities that are the key elements in the audit plan.

Mr. Schomber made a request to Mr. Patillo to provide a comparison and/or audit observations from other Districts on their activities.

There was no further discussion and a motion was made by Ms. Monzon-Aguirre, seconded by Mr. Gonzalez, which carried unanimously, **agreed with the commitment of the survey** to accept the School Board of Miami-Dade County, Florida, 2007 Audit Plan, E&Y by the Audit Committee.

6. Review of Community Based Organizations Financial Statements

Mr. Williams introduced the three reports and stated that the financial statements are fairly stated with the exception of James E. Scott Community Association, Inc. (JESCA). He noted that the financial state of JESCA, as reported in their audited financial statements, was discussed by the School Board at their meeting of May 16, 2007, in which the Board concurred with the Superintendent's recommendation on not to enter into a new contract with JESCA.

The following schools' financial statements were forwarded to the Board:

- Cuban American National Council, Inc.
- James E. Scott Community Association, Inc.
- Lincoln Marti Community Agency, Inc.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Gonzalez, which carried unanimously, to transmit all schools noted above and be filed by the School Board.

7. Office of Management and Compliance Audits Activity Report

Mr. Vann gave a brief overview of the audits issued and the work in progress for the Office of Management and Compliance Audits. He noted the completed investigations and the ongoing investigations. He mentioned that there are three new audit staff members and there were also some promotions that took place. He spoke about the professional development activities of the staff, in which the staff has completed the minimum continuing education requirements. He concluded by explaining the agreement entered with PricewaterhouseCoopers to install TeamMate, an electronic work paper package that will transform the audit process currently in place in the Office of Management and Compliance Audits. TeamMate will increase the efficiency and productivity of the planning, scheduling, audit fieldwork, review, and report generation processes by helping us capitalize on the investment we have made in the past three years for up-to-date computer hardware.

Mr. Stein commended Mr. Vann for taking a step to the 21st Century.

Mr. Vann introduced the following three new audit staff members: Mr. Lander Carn, Audit Director, Ms. Marta Anderson, Staff Auditor, and Ms. Jeanette Hanna, Staff Auditor that joined the Office of Management and Compliance Audits since the last Audit Committee meeting.

There was no action required, since this item was presented to the Audit Committee for information purposes only.

8. Proposed Fiscal Year '08 Audit Plan and Budget

Mr. Vann made a power point presentation on the Proposed Fiscal Year '08 Audit Plan and Budget. He highlighted the different areas that entailed the following: 1) assessing the risk associated with school and non-school operations, 2) meeting with District officials responsible for various departments to review the risk assessments with them, and 3) applying the information gathered on the auditable universe to design the audit plan presented.

Ms. Hantman expressed concern about the Enterprise Resource Planning (ERP) system and noted that the Audit Committee should be aware of what happened in LA in regards to the ERP system. Ms. San Pedro explained the three issues with the ERP system in LA: 1) not enough training for the timekeepers, 2) not enough time spent parallel testing, and 3) not enough change management, working with employees to prepare them. She also explained that the District is observing LA's issues and will be using LA as a guide in order to strengthen our ERP system. She mentioned that the Board will receive a risk litigation presentation.

Mr. Schomber asked for clarification on what is the ERP system. Ms. San Pedro explained that the ERP system is a fully integrated system it works through payroll; it's integrated to all the applications.

Mr. Stein inquired if Internal Audits will be involved in the implementation of the ERP system. Mr. Vann responded that internal audits have had some minimal involvement of the awarding of this system. He believes in the future after implementation, Internal Audits will play a role in monitoring of this system in advisory and auditing capacity. Mr. Stein also inquired if the monitoring is mentioned in the audit plan. Mr. Vann said yes, it is noted in the proposed '08 audit plan.

Ms. Greer expressed concern about the 2008 proposed budget and noted that the \$600,000 might be aggressive because of the tight budget coming up from the county. She suggested that after-school tutorial services should be reviewed.

Mr. Stein noted that under the Other Activities – follow-up section he is requesting a follow-up after reviewing the Payroll Function Report, which will be discussed later in the agenda.

There was no further discussion and a motion was made by Mr. Stein, seconded by Mr. Schomber, which carried unanimously, to approve this report for informational purposes only.

9. Internal Audit Report – School Audits

Ms. Gonzalez commenced her presentation by recognizing her staff to the Audit Committee for a job well done this year. She was happy to announce that all 336 school audits were completed this year in comparison to past years. She thanked her Title I, Property staff, Mr. Woodson and staff, and Region Offices for their support.

Ms. Gonzalez introduced the five reports and explained that there are 94 school audits covered in the five reports and eight schools had audit exceptions. She also explained that corrective action have been discussed and will be implemented.

Ms. Greer made a comment to have less staff members attend the Audit Committee meetings and noted her suggestion to make conference calls or video appearances for the more serious matters. Mr. Shapiro and Mr. Vann will discuss attendance procedures for meetings of Fiscal Year 2007-08.

Mr. Woodson commented that he has worked very well with the Audit Department and noted that the number of findings has reduced in comparison to last year. He mentioned that the Money Matters Support Program also did very well this year.

There was no further discussion and a motion was made by Ms. Monzon-Aguirre, seconded by Mr. Gonzalez, which carried unanimously, to recommend that the Internal Audit Report – School Audit(s) of Regional Center II, V Elementary and Secondary Schools and Centers, Selected Schools be received and filed by the School Board.

10. Internal Audit Reports – Non-School Locations

Mr. Williams introduced the Audit of the District Facility Leasing Practices report and explained that this audit revealed that the leasing process adequately provides for the District's supplemental space needs at reasonable cost. However, he noted that there are opportunities to improve the current process by formalizing leasing procedures, improving documentation, and centralizing and enhancing the rental revenues collection function. He expressed concern with a new facility that was built and the cost that is associated with that.

Mr. Shapiro expressed concern about the \$6 million dollars wasted on a facility and asked what will be done to address this issue and what preventive methods will be established. Mr. Torrens responded that most of the issues have been corrected and explained plans for future designing methods.

Ms. Greer provided some background information on the building of this particular middle school. She also mentioned that this school was built in a rush type of manner and noted that the District is in a far different situation in construction than it was in the past.

Audit of District's Centralized Payroll Function Report

Mr. Stein expressed concern about the terminated employees remaining on the payroll and asked if these employees were paid. Mr. Williams answered that the terminated employees were not paid.

Mr. Stein referred to page 13, where new employees were put on the payroll and they report to work before they are supposed to. Mr. Stein stated that the response noted seemed that it could occur again. He asked if there will there be a follow up. Ms. Pou responded that she will follow the auditors' recommendation to provide a quarterly report.

Mr. Stein expressed concern that this is an area where follow up work should be implemented.

There was no further discussion and a motion was made by Ms. Amos, seconded by Mr. Gonzalez, which carried unanimously, to recommend that the Audit of District Facility Leasing Practices and Audit of District's Centralized Payroll Function Reports be received and filed by the School Board

11. Other Business

Update on Inspector General Selection Process/Board Rule Change

Mr. Garcia explained that at the School Board meeting of June 13, 2007, the School Board moved forward with rule making, where the Board may elect to contract through an interlocal agreement with another government entity to fulfill the role of Inspector General. The Board met previously at a June 7, 2007 workshop with Mr. Christopher R. Mazzella, the Miami Dade County Inspector General, who expressed an interest in providing this service to the School Board.

Mr. Stein inquired about the cost on going into a contract. No one available to respond.

A motion was made by Mr. Schomber and seconded by Mr. Stein indicating to the School Board the discussion of concern of the Audit Committee on the cost when enter into agreement to fulfill the role of the Inspector General.

Adjournment

The meeting was adjourned at 2:28 p.m.