

**Miami-Dade County Public Schools  
Office of Management and Compliance Audits**



**AGREED – UPON PROCEDURES  
PERFORMED PURSUANT TO AGENDA ITEM  
H-27 OF THE MARCH 9, 2011  
SCHOOL BOARD MEETING:  
FINANCIAL COSTS ASSOCIATED WITH  
DISTRICT ADMINISTRATION OF  
CHARTER SCHOOLS**

The District's administration asserted that it accounted for applicable costs of \$6,056,002 for Fiscal Year 2009-2010. This amount was presented by the administration as very conservative and likely understated. After applying the agreed-upon procedures, those reported costs were revised to \$5,949,437.

September 2011

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**THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

Ms. Perla Tabares Hantman, Chair  
Dr. Lawrence S. Feldman, Vice Chair  
Dr. Dorothy Bendross-Mindingall  
Mr. Carlos L. Curbelo  
Mr. Renier Diaz de la Portilla  
Dr. Wilbert "Tee" Holloway  
Dr. Martin Karp  
Dr. Marta Pérez  
Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho  
Superintendent of Schools

Mr. Jose F. Montes de Oca, CPA  
Chief Auditor  
Office of Management and Compliance Audits

**Contributors to This Report:**

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Supervised by:

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Performed by:

Ms. Terri A. Chester  
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Mr. Trevor L. Williams, CPA





# Miami-Dade County Public Schools

*giving our students the world*

## **Superintendent of Schools**

Alberto M. Carvalho

## **Chief Auditor**

Jose F. Montes de Oca, CPA

September 16, 2011

## **Miami-Dade County School Board**

Perla Tabares Hantman, Chair

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Dr. Martin Karp

Dr. Marta Pérez

Raquel A. Regalado

Members of The School Board of Miami-Dade County, Florida  
Members of The School Board Audit and Budget Advisory Committee  
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

At the March 9, 2011 School Board meeting, in accordance with agenda item H-27, the Board directed the Superintendent to prepare a cost-analysis report on the financial costs associated with district administration of charter school contracts, and provide said report to the district's Chief Auditor for his review, transmittal to the Audit Committee, and presentation to the School Board.

The objective of this engagement was to apply to the above-referenced cost-analysis report the agreed-upon procedures enumerated on pages 4 and 5 which seek to provide a level of review, verification and validation of costs asserted by the administration, associated with legally mandated charter school administration, oversight and support. The scope of the engagement was limited to the one year period ended June 30, 2010. We were not engaged to perform an audit of or issue an opinion on charter school administrative costs. Similarly, as specified in agenda item H-27 of the March 9, 2011 School Board meeting, application of our procedures was limited to costs and not applied to charter school revenues.

The administration asserted that it accounted for direct and indirect costs of \$6,056,002 associated with compliance, monitoring, support and oversight of charter schools for Fiscal Year 2009-10. This amount was presented by the administration as very conservative and likely understated due to there being no mandate, legal requirement or corresponding accounting mechanism to track such costs, and that many of the services were provided by staff who are either no longer in the same position or employed by the District. After applying the agreed upon procedures, we recommended and the administration accepted 15 adjustments to the reported costs resulting in a net reduction of \$106,565, adjusting the reported costs to \$5,949,437.

Sincerely,

Jose F. Montes de Oca, CPA, Chief Auditor

Office of Management and Compliance Audits

JFM:em

L026



## TABLE OF CONTENTS

	<b><u>Page Number</u></b>
<b>BACKGROUND.....</b>	<b>1</b>
<b>OBJECTIVES, SCOPE AND METHODOLOGY.....</b>	<b>2</b>
<b>CONCLUSION AND PRESENTATION OF COSTS.....</b>	<b>3</b>
<b>PROCEDURES AGREED UPON AND RELATED FINDINGS .....</b>	<b>4</b>
<b>APPENDIX A- DISTRICT ADMINISTRATION’S RESPONSE .....</b>	<b>6</b>
<b>APPENDIX B – AGENDA ITEM H-27 MARCH 9, 2011 SCHOOL BOARD MEETING .....</b>	<b>8</b>



## **BACKGROUND**

At the March 9, 2011 School Board meeting, in accordance with agenda item H-27, the Board directed the Superintendent to prepare a cost-analysis report on the financial costs associated with district administration of charter school contracts, and provide said report to the district's Chief Auditor for his review, transmittal to the Audit Committee, and presentation to the School Board.

Section 1002.33, Florida Statutes, delineates the School District's responsibilities as a sponsoring district to monitor, support and oversee its charter schools. Charter schools are part of the state's program of public education. Like traditional public schools, charter schools are funded with local, state and federal tax dollars. The funding is largely derived from the Florida Education Finance Program (FEFP) in which the magnitude of funding is determined by weighted full time equivalent (FTE) and enrollment in the school during date certain survey periods in October and February. Those public funds earmarked to operate the charter school are distributed to the school throughout the school year by the sponsoring school district. A percentage of those funds, 5% for up to 500 students in FY 2009-10, pursuant to Florida Statute 1002.33(20), is retained by the District to support its academic, fiscal and operating oversight and support responsibilities. For the current year (FY2011-12) the amount retained is 2% for high performing schools and 5% for other charter schools, for up to 250 students.

## **OBJECTIVES, SCOPE AND METHODOLOGY**

The objective of this engagement was to apply the agreed-upon procedures enumerated on pages 4 and 5 which seek to provide a level of review, verification and validation of costs asserted by the administration, associated with legally mandated charter school administration, oversight and support. The scope of the engagement was limited to the one year period ended June 30, 2010.

We were not engaged to perform an audit of or issue an opinion on charter school administrative costs. That would have entailed substantially more time and resources, including the assessment of internal controls and compliance. Similarly, as specified in agenda item H-27 of the March 9, 2011 School Board meeting, application of our procedures was limited to costs and not applied to charter school revenues.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and *Government Auditing Standards*, promulgated by the Comptroller General of the United States. In accordance with these standards, the Office of Management and Compliance Audit's (OMCA) responsibility is to carry out the procedures specified; however, the sufficiency of these procedures is solely the responsibility of the administration and we make no representation regarding the sufficiency of the procedures described herein. The use of this report is restricted to specified parties, including The School Board, Audit and Budget Advisory Committee, and administration.



## CONCLUSION AND PRESENTATION OF COSTS

The administration asserted that it accounted for direct and indirect costs of \$6,056,002 associated with compliance, monitoring, support and oversight of charter schools for Fiscal Year 2009-10. This amount was presented by the administration as very conservative and likely understated due to there being no mandate, legal requirement or corresponding accounting mechanism to track such costs, and that many of the services were provided by staff who are either no longer in the same position or employed by the District. After applying the agreed upon procedures, we recommended and the administration accepted 15 adjustments to the reported costs resulting in a net reduction of \$106,565, adjusting the reported costs to \$5,949,437.

### Schedule of Charter School Costs Accounted For in FY 2009-10

Description of the Cost Category	Costs Asserted by the Administration	Recommended/ Accepted Adjustments (Net) After Applying Agreed Upon Procedures	Reported Costs After Recommended /Accepted Adjustments
<b>Departmental Worksheets</b> (percentage of salaries and benefits of staff and other costs of 46 District departments or divisions)	\$4,017,076	\$(82,441)	\$3,934,635
<b>Charter School Operations (CSO) Department Expenditures</b>	\$1,831,828	-0-	\$1,831,828
<b>Committee Participation</b> (time and preparation of District staff on the Technical Assistance Team, District Review Committee and Contract Review Committee)	\$119,588	\$(186)	\$119,402
<b>CSO Facilities Occupancy Costs</b> (cost of housing the CSO department)	\$87,510	\$(23,938)	\$63,572
<b>Total</b>	<b>\$6,056,002</b>	<b>\$(106,565)</b>	<b>\$5,949,437</b>

## PROCEDURES AGREED UPON AND RELATED FINDINGS

The following table delineates each agreed upon procedure and the corresponding findings. These procedures were completed as of August 19, 2011.

Procedures Agreed Upon	Findings
<p>Calculate the mathematical accuracy of the final charter school cost analysis report (CSCAR) and all supporting departmental and committee worksheets prepared by District staff.</p>	<p>The CSCAR and all supporting departmental and committee worksheets were mathematically correct within a materiality threshold of \$5 except the following:</p> <ul style="list-style-type: none"> <li>• The line item on the worksheet attributable to our population #32 contained a math/spreadsheet error understating the total cost by \$(1,728)</li> <li>• The line item on the worksheet attributable to our population #33 contained a math/spreadsheet error overstating the total cost by \$1,522</li> </ul> <p>We therefore recommended a net adjustment of \$206 to increase reported costs.</p>
<p>Trace each cost element/line item of the CSCAR to supporting departmental and committee worksheets prepared by District staff.</p>	<p>Each cost element/line item of the CSCAR was traced to supporting departmental and committee worksheets prepared by District management without exception.</p>
<p>Select randomly from the departmental worksheets (comprising a percentage of salaries/benefits and other costs) a sample (95% confidence level, 15% confidence interval) of cost line items. For each sample item selected, trace to sufficient, appropriate evidence supporting the administration's cost assertions and include copies of said evidence in the engagement documentation. Itemize any recommended adjustments to asserted costs.</p>	<p>The 46 departmental worksheets presented comprised 317 cost line items totaling \$4,017,076. Most of the cost line items were percentages of time of District employees. A sample of 40 cost line items was selected totaling \$604,697. Thirty-three sample items were traced to sufficient, appropriate evidence supporting the administration's cost assertions without exception. Procedures applied to five sample items resulted in recommended adjustments decreasing the reported costs by \$(76,336), and for two sample items increasing the reported costs by \$49,001. We therefore recommended a net adjustment of \$(27,335) to decrease reported costs.</p>

<b>Procedures Agreed Upon</b>	<b>Findings</b>
<p>For each sampled cost line item from the departmental worksheets that is also included on a committee worksheet (i.e. Technical Assistance Team, District Review Committee, Contract Review Committee), trace to sufficient, appropriate evidence supporting the administration's cost assertions and include copies of said evidence in the engagement documentation. Itemize any recommended adjustments to asserted costs.</p>	<p>The charter school committees' cost for FY2009-10 was asserted to be \$119,588 by the administration. One sample item lacked documentation showing attendance at a meeting, and the remaining sample items were traced to supporting documentation as described in the procedure without exception. We recommended an adjustment of \$(186) to lower this reported cost.</p>
<p>Review the administration's supporting documentation for the FY2009-10 annual costs of the Charter School Operations department. Itemize any recommended adjustments to these asserted costs.</p>	<p>The annual expenditures of the Charter School Operations department for FY2009-10 were asserted to be \$1,831,828 by the administration. This figure was traced to supporting documentation without exception. There are no recommended adjustments to this amount.</p>
<p>Review the administration's supporting documentation for the FY2009-10 annual costs of facilities used in support and oversight of charter schools. Itemize any recommended adjustments to these asserted costs.</p>	<p>The occupancy cost of the Charter School Operations department for FY2009-10 was asserted to be \$87,510 by the administration. Based on the evidence provided, we calculate the cost to be \$63,572. We therefore recommended an adjustment of \$(23,938) to lower that reported cost.</p>
<p>Document any other errors coming to our attention during the conduct of the above procedures and propose any applicable recommended adjustments.</p>	<p>A procedure to identify duplicate cost line items disclosed four employees had inadvertently been listed twice. We therefore recommended a net adjustment of \$(55,312) to lower that reported cost.</p>

## MEMORANDUM

MANAGEMENT AND  
COMPLIANCE AUDITS

Septemeber 14, 2011

2011 SEP 15 AM 8:45

**TO:** Mr. Jose F. Montes de Oca, CPA, Chief Auditor  
Office of Management and Compliance Audits

**FROM:** Freddie Woodson, Deputy Superintendent  
District/School Operations

**SUBJECT:** RESPONSE TO DISTRICTWIDE COST ANALYSIS OF CHARTER  
SCHOOL SERVICES FOR THE 2009-2010 FISCAL YEAR

**Assertion of Results**

Pursuant to agenda board item H-27, proffered by School Board Member Mr. Renier Diaz de la Portilla at the March 9, 2011 School Board Meeting, the administration asserts that it conducted a survey of direct and indirect costs for the period of fiscal year 2009-2010 (Cost Analysis) associated with the district administration of charter school contracts capturing costs totaling \$6,056,002. The Cost-Analysis was forwarded to the Office of Management and Compliance Audits (OMCA) for review and transmittal to the Audit Committee, and presentation to the School Board. The Administration is in receipt of the OMCA's review and report of the Cost Analysis. The Administration agrees with the methodology, content of this report, and the findings resulting in the revised total cost of \$5,949,437, which is a reduction of \$106,565 from the original amount reported by the Administration.

**Conservative Analysis**

The Administration recognizes that these revised results yield a conservative and understated record of direct and indirect costs relative to the District's responsibilities as the sponsor, which include monitoring, support, and technical assistance as delineated not only in §1002.33, F.S., but other federal and local laws and policies. Additional support of the conservative nature of these results includes the probability that some costs were not included in the analysis since there exists challenges in capturing historical data which is not mandated by law or accounting requirements. There were also significant difficulties in acquiring any available documentation and information pertaining to employees who are either no longer employed in those capacities or with the District. In just one example that came to light subsequent to the conclusion of this analysis, it was discovered that because many times there is no differentiation by staff of services provided to charter schools, as our goal is to meet the needs of every M-DCPS student, approximately \$56,000 in costs related to instructional technology provided to charter schools was erroneously omitted from the report submitted to OMCA. Furthermore, this analysis does not take into account the impact to the District relative to the cost associated with loss of students which includes the net loss of FEFP revenue and teaching positions.

**Change in Legislation**

Prior to 2009-2010 SY, the District had the ability to withhold 5% of FEFP up to the first 500 students for each school for administration and oversight of all charter schools. For the 2010-2011 SY, the administrative fee was reduced to 5% for up to the first 250 students for each school. Subsequent to the 2011 legislative session and effective this school year, the

fee was further reduced to 2% for up to the first 250 students for High Performing Schools only. It is estimated that of the current 109 charter schools, approximately 40% of these schools will be eligible for the 2% fee, further compounding the financial impact on the District's general fund. Should there be future requirements to repeat this exercise, it would be in the District's best interest to develop and implement a process and/or mechanism for capturing the cost of servicing charter schools.

Should you require any additional information, please do not hesitate to contact me at 305-995-2938 or Dr. Helen S. Blanch, Assistant Superintendent, School Choice, at 305-995-4266.

Approved:  \_\_\_\_\_ FW

FW:tp  
M068

cc: Mr. Alberto M. Carvalho  
School Board Attorney  
Dr. Helen S. Blanch  
Dr. Daniel Tosado  
Mr. Julio Miranda  
Ms. Tiffanie Pauline  
Mr. Jon Goodman

Office of School Board Members  
Board Meeting of March 9, 2011

March 7, 2011

Mr. Renier Diaz de la Portilla, Board Member

**SUBJECT: REQUEST FOR REPORT ON FINANCIAL COSTS ASSOCIATED WITH DISTRICT ADMINISTRATION OF CHARTER SCHOOLS**

**COMMITTEE: INNOVATION, EFFICIENCY, AND GOVERNMENT RELATIONS**

**LINK TO STRATEGIC FRAMEWORK: FINANCIAL EFFICIENCY / STABILITY**

In 1996, the Florida Legislature authorized charter schools as part of the state's public school education program. There are over 450 charter schools across the state of Florida, of which over 90 are located in Miami-Dade County. Charter schools are funded like other public schools in the state, receiving funds based on the number of full-time equivalent (FTE) students enrolled. School districts retain 5% of the FTE funding generated for enrollment for the first 250 students enrolled by the charter school to cover district administrative costs for managing the charter contract and collecting and reporting required data to the state.

State Statute 1002.33 – Charter Schools, states that "a district school board may sponsor a charter school in the county over which the district school board has jurisdiction," and "the sponsor shall monitor and review the charter school in its progress toward the goals established in the charter." The sponsor shall also monitor revenues and expenditures of the charter school and perform the duties provided in s. 1002.345.

Specifically, state statute requires that sponsoring school districts provide certain administrative and educational services to charter schools, including, but not limited to:

- Contract management;
- Full-time equivalent and data reporting;
- Exceptional student education administration;
- Services related to eligibility and reporting duties for school lunch services at the request of the charter school;
- Test administration services, including payment of the costs of state-required or district-required student assessments;
- Processing of teacher certificate data services;
- Information services, including equal access to student information systems that are used by public schools in the district in which the charter school is located; and
- Student performance data for each student in a charter school, including, but not limited to, FCAT scores, standardized test scores, previous public school student report cards, and student performance measures.

This item seeks to ascertain the financial cost to the district for administering charter school contract operations.

**Revised  
H-27**

**ACTION PROPOSED BY  
MR. RENIER DIAZ DE LA PORTILLA:**

That The School Board of Miami-Dade County, Florida, direct the Superintendent to conduct a cost-analysis report on the financial costs associated with district administration of charter school contracts, and provide said report to the district's Chief Auditor no later than June 1<sup>st</sup>, 2011 for his review, transmittal to the Audit Committee, and presentation to the School Board at its July 2011 meeting.

} Revised





# MIAMI-DADE COUNTY PUBLIC SCHOOLS ANTI-DISCRIMINATION POLICY

## *Federal and State Laws*

The School Board of Miami-Dade County, Florida adheres to a policy of nondiscrimination in employment and educational programs/activities and strives affirmatively to provide equal opportunity for all as required by:

**Title VI of the Civil Rights Act of 1964** - prohibits discrimination on the basis of race, color, religion, or national origin.

**Title VII of the Civil Rights Act of 1964 as amended** - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

**Title IX of the Education Amendments of 1972** - prohibits discrimination on the basis of gender.

**Age Discrimination in Employment Act of 1967 (ADEA) as amended** - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

**The Equal Pay Act of 1963 as amended** - prohibits gender discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

**Section 504 of the Rehabilitation Act of 1973** - prohibits discrimination against the disabled.

**Americans with Disabilities Act of 1990 (ADA)** - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

**The Family and Medical Leave Act of 1993 (FMLA)** - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to “eligible” employees for certain family and medical reasons.

**The Pregnancy Discrimination Act of 1978** - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

**Florida Educational Equity Act (FEEA)** - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

**Florida Civil Rights Act of 1992** - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

**Title II of the Genetic Information Nondiscrimination Act of 2008 (GINA)** - Prohibits discrimination against employees or applicants because of genetic information.

*Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 205.07 (Florida Statutes), which stipulate categorical preferences for employment.*

### **In Addition:**

**School Board Policies 1362, 3362, 4362, and 5517** - Prohibit harassment and/or discrimination against students, employees, or applicants on the basis of sex, race, color, ethnic or national origin, religion, marital status, disability, genetic information, age, political beliefs, sexual orientation, gender, gender identification, social and family background, linguistic preference, pregnancy, and any other legally prohibited basis. Retaliation for engaging in a protected activity is also prohibited.

*Revised: (07-11)*

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## **INTERNAL AUDIT REPORT**



**MIAMI-DADE COUNTY PUBLIC SCHOOLS**  
**Office of Management and Compliance Audits**  
**1450 N.E. 2<sup>nd</sup> Avenue, Room 415**  
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