

**MINUTES OF THE SCHOOL BOARD AUDIT AND BUDGET ADVISORY COMMITTEE  
OF MIAMI-DADE COUNTY PUBLIC SCHOOLS  
REGULAR MEETING (IN-PERSON/VIRTUAL)  
July 20, 2021**

The School Board Audit and Budget Advisory Committee (the ABAC or the Committee) met on Tuesday, July 20, 2021, in the School Board Administration Building, SBAB Auditorium, at 1450 N.E. Second Avenue, Miami, Florida.

**Call to Order**

The ABAC Chair Mr. Erick Wendelken called the meeting to order at 12:35 p.m.

**1. Welcome, Introductions and Attendance**

ABAC Members Present In-Person (For Quorum Purposes) (Voting Members)	
1.	Mr. Erick Wendelken, CPA, ABAC Chair
2.	Mr. Christopher Norwood, J.D., ABAC Vice-Chair
3.	Mr. Juan del Busto, ABAC Member
4.	Fr. Roberto M. Cid (Alternate for Ms. Chloe Bordon-Gillenwater)
5.	Ms. Anna Hochkammer, ABAC Member
6.	Mr. Stephen Hunter Johnson, Esq., ABAC Member
7.	Mr. Jeff Kaufman, ABAC Member
8.	Mr. Albert D. Lopez, CPA, ABAC Member
9.	Mr. Julio C. Miranda, CPA, ABAC Member
10.	Ms. Sharon Watson, ABAC Member
ABAC Members Absent	
•	Ms. Mari Tere Rojas, School Board Member/ABAC Member
•	Ms. Chloe Bordon-Gillenwater, ABAC Member
•	Ms. Zeida Sardiñas, ABAC Member (Alternate ABAC Member attended)

**Others in Attendance**

11. Mr. Ron Y. Steiger, Chief Financial Officer, Ex Officio (Non-Voting) Member of the ABAC
  12. Mr. Jon Goodman, CPA, CFE, Interim Chief Auditor and the ABAC's liaison
  13. Mr. Walter J. Harvey, School Board Attorney
  14. Mr. Jaime G. Torrens, Deputy Superintendent
  15. Mr. Jose Bueno, Chief of Staff
  16. Mr. Luis O. Baluja, CISA, Executive Director, Office of Management and Compliance Audits; and
  17. Ms. Elsie Berrios-Montijo, Staff Assistant, Office of Management and Compliance Audits.
- Mr. Baluja and Ms. Berrios-Montijo acted as meeting co-hosts/facilitators, in addition to the Chief Auditor.

Attendees In The Room	
18. Ms. Lucia Baez-Geller, School Board Member	31. Mr. Richard Yanez, CPA, District Director, OMCA
19. Dr. Marta Perez, School Board Member	32. Mr. Reinaldo Montano, Executive Director, CIU
20. Dr. John D. Pace, Chief Operating Officer	33. Ms. Ann de las Pozas, Executive Director
21. Dr. Dawn Baglos, Chief Human Capital Officer	34. Mr. Tommy A. Richardson, Executive Director
22. Mr. Mario De Barros, Chief Procurement Officer	35. Mr. Michael Hernandez, CPA, Internal Audit Supervisor, OMCA
23. Mr. Luis E. Diaz, Assistant Superintendent	36. Ms. Carlota Noguera, School Board Admin. Assistant
24. Ms. Mary Lawson, Asst. Attorney	37. Ms. Amarylys Diaz, School Board Admin. Assistant
25. Dr. Gloria Arazoza, Admin. Director, School Operations	38. Ms. Nicole Reinoso, School Bd. Member's Chief of Staff
26. Mr. Arnold Montgomery, Region Administrative Director	39. Ms. Francys Vallecillo, School Bd. Member's Chief of Staff
27. Mr. Jorge Rubio, District Director, Staffing	40. Mr. Jerold Blumstein, School Board Admin. Assistant
28. Mr. Paul Smith, Administrative Director, ITS	41. Ms. Raquel Zuniga, School Board Admin. Assistant
29. Ms. Mahati Tonk, District Director	42. Mr. Keno Tate, School Board Admin. Assistant
30. Ms. Tamara Wain, CPA, District Director, OMCA	43. Ms. Zahirah Calloway, School Board Admin. Assistant

Attendees In The Room	
44. Mr. Thomas Knigge, Supervisory Agent, Inspector General	54. Mr. Adson Pressage, WLRN
45. Mr. David Hernandez, OIG Special Agent	55. Mr. Jorge Funcia, Technician, ITS
46. Mr. Alejandro Santana, IT Auditor, OMCA	56. Mr. Brett Friedman, Partner, RSM US LLP
47. Mr. Arthur Soule, Investigator, CIU	57. Mr. Alex Auguste, RSM US LLP
48. Ms. Sandra Lainez, Senior Auditor	58. Ms. Holly Lane, Acceleration Academies, LLC
49. Ms. Sheila Resco, Staff Auditor II	59. Mr. Mark Graves, Acceleration Academies, LLC
50. Ms. Wanda Ramirez, Staff Auditor II	60. Mr. Dave Wood, Path Academy
51. Ms. Latisha Green, Assistant to the Chief Auditor	61. Ms. Tanya Davis, S Davis & Associates PA
52. Mr. Al Chicoy, Creative Director, WLRN	
53. Mr. Gustavo Hernandez, WLRN	

Attendees Via ZOOM Platform (Virtual)	
62. Mrs. Perla Tabares Hantman, School Board Chair	70. Dr. Magaly C. Abrahante, Assistant Superintendent
63. Dr. Steve Gallon III, School Board Vice-Chair	71. Dr. Jimmie Brown, Assistant Superintendent
64. Dr. Dorothy Bendross-Mindingall, School Board Member	72. Ms. Arlene Diaz, Executive Director, Teacher Certification
65. Ms. Luisa Santos, School Board Member	73. Mr. Joseph Driscoll, Representative, Path Academy
66. Mr. Eugene Baker, Chief Information Officer, ITS	74. Ms. Christy Berry-Wilson, Representative, Richmond-Perrine Optimist Club, Inc. of Miami, Florida
67. Mr. Carl Nicoleau, Chief Maintenance/Operations Officer	
68. Ms. Daisy Naya, Controller	
69. Ms. Margarita Betancourt, Treasurer	

Following introductions, Mr. Goodman read the following introductory statement declaring the meeting procedures and authority.

Through the Chair, Good afternoon.

This Regular Meeting conducted by members of the Audit and Budget Advisory Committee and facilitated by the Interim Chief Auditor and the Office of Management and Compliance Audits, is pursuant to the procedures delineated in Board Policy 6840.

The meeting is conducted in-person as well as virtually in accordance with Board Policy 9140(e)-Board Advisory Committee Meetings During Declared COVID-19 Emergency.

Effective November 18, 2020, this emergency policy includes the following provisions:

1. Permits the Advisory Committee meetings to be held through communications media technology as long as there is a physical quorum present in the room,
2. Requires adequate notice of the meeting, including that a means for the public to access and participate in the meeting, be provided, and
3. This policy also allows that, once a physical quorum is established, other Committee members, Board members and staff may participate virtually.

The meeting is being streamlined and close-captioned.

Through the Chair, this concludes the reading of associated policies and procedures.

Mr. Goodman ended the introductions and instructions and turned it over to ABAC Chair Mr. Erick Wendelken. He thanked Mr. Goodman and moved on to item number two on the agenda for the approval of the May 11, 2021, meeting minutes.

**2. Approval of the Minutes of the School Board Audit and Budget Advisory Committee Meeting of May 11, 2021 (ACTION)**

ABAC Chair Mr. Erick Wendelken presented the minutes of the May 11, 2021 ABAC meeting and inquired if there were any questions regarding the minutes.

There being no additional questions or comments, a motion duly made by ABAC member Mr. Albert Lopez and seconded by ABAC member Mr. Jeff Kaufman, carried unanimously to approve and file the **Minutes of the School Board Audit and Budget Advisory Committee Meeting of May 11, 2021.**

**3. The School Board of Miami-Dade County, Florida – Audit Plan and AU 260 Communication for the Fiscal Year Ending June 30, 2021 (ACTION)**

Mr. Goodman, Interim Chief Auditor, introduced the item and welcomed Mr. Brett Friedman and his team from RSM US LLP.

Mr. Brett Friedman, Partner, RSM US LLP stated that he was pleased to be at the meeting and proceeded with his presentation of the proposed audit plan for the fiscal year June 30, 2021. He stressed that audit quality is the firm's priority and set the following objectives:

- A robust challenge of key judgements taken in the preparation of financial statements,
- A strong understanding of the internal control environment, and
- Deliver, address and bring concerns to those charged with governance

Part of the development of the audit plan includes conversation with key members of management, the Office of Management and Compliance Audits and discussions to assess the current environment.

Mr. Friedman covered the scope of services, which is to perform the audit of the District's basic financial statements, compliance audit of the District's federal awards in accordance with uniform guidance and a compliance test in accordance with the Rules of the Auditor General which includes an examination of the District's compliance with Section 218.415 of the Florida Statutes (local government investment policies) regarding the investment of public funds. Next, he emphasized the audit team's communication throughout the audit process with the Superintendent and School Board is critical to have an effective audit. These communications also include fraud, noncompliance issues, illegal acts or abuse, disagreements with management and other difficulties encountered during the audit.

During the presentation, Mr. Friedman stressed the importance of the auditor's independence when performing the audit, and the concept of materiality, both quantitative and qualitative, since in an audit they cannot review 100 percent of activity and transactions. He introduced RSM's engagement team, particularly Mr. Alex Auguste and Ms. Gaby de la Cruz, who are involved in the day-to-day operations at the District, along with a variety of specialists that may be brought to the engagement as needed. The audit is performed in accordance with generally accepted auditing standards, government auditing standards and Title 2 of the US Code (CFR).

Mr. Friedman stated that from their perspective and understanding, the key users of the financial statements are the citizens and taxpayers of the county, bondholders, Federal and State agencies that provide funding, School Board members, ABAC members, the Superintendent and the Administration.

Mr. Friedman went over management's responsibilities that include preparing the basic financial statements, establishing and maintaining internal controls over financial reporting and compliance,

identifying and ensuring compliance with laws and regulations and making available financial records and a letter of representation to RSM at the end of the audit. The purpose of the audit report and their responsibility is whether the financial statements, in all material respects, are fairly stated in accordance with generally accepted accounting principles. He indicated that the planned deliverables at the end of the audit consist of the independent audit report on the School Board's basic financial statements, a management letter in accordance with the rules of the State of Florida Auditor General, the independent auditor's report on compliance in accordance with Title 2 US Code of Federal Regulations and an independent accountants attestation report on the examination on the School Board's compliance with Section 218.415.

Mr. Friedman noted that information technology is overarching through everything. They will look at IT internal general controls as they effect the audit, but there is no IT exam or test included within the financial statement audit and will only look at the IT system as it relates to the financial and compliance audits. At this point, Mr. Friedman turned over the presentation to Mr. Alex Auguste, Audit Manager, RSM US LLP, for additional highlights in the key areas of emphasis.

Mr. Auguste mentioned that the areas emphasized are similar to prior years, with a control and detail testing approach and walkthrough of significant transaction cycles such as cash receipts, cash disbursements, debt and payroll. The walkthrough of these processes will determine whether controls are effectively capturing financial data. He referred to pages 21 through 23 of the presentation of the audit plan which highlighted the significant accounting areas based on materiality, both quantitative and qualitative, and which they will devote most of their detail testing. These accounting areas include the following:

- Self-Insurance for general liability and employee health
- Revenue
- Capital Assets
- Retirement balances
- Interfund Transfers
- Fund Balance Categories
- Cash and Investments
- Liabilities and Expenditures
- Payroll
- Compliance with Debt Agreements
- FTE
- Going Concern
- IT Systems

Prior to concluding the presentation Mr. Friedman mentioned their consideration of COVID, particularly the various forms of funding to ensure they are properly recorded and applied. Mr. Friedman referred to page 29, Fraud Consideration and Risk Management Override, specifically referring to brainstorming as being part of the process, reaching out to members of the ABAC, Interim Chief Auditor, School Board Chair, and referring to their availability to members if they have any concerns with fraud or potential fraud. Mr. Friedman concluded by asking if there were any questions on the audit plan or approach.

ABAC member Mr. del Busto referred to page 26 on IT Systems under unauthorized logical and physical access and asked whether they have changed their audit process in the last year or so due to the current cybersecurity environment. Mr. Friedman replied that they obtain an understanding of the processes the School Board has in place, which involves their IT professionals, and they have adjusted but not to the level of penetration testing.

ABAC member Mr. Lopez posed a question regarding whether RSM has changed any of the procedures from last year's audit plan because of a concern or risk. Mr. Friedman responded that every year they add elements of unpredictability and bring in new procedures/steps. Those steps for this year have not been determined, however, for last year they looked at the new vendors used because of COVID-19. Mr. Lopez asked about the continuity of the engagement and whether the same audit team would be used. Mr. Friedman responded that at the senior management level, those team members are the same, however, the senior and staff in the field are new to the audit. Mr. Lopez referred to the work of the internal audit department, specifically observation of the inventory, physical assets, payroll and whether RSM used these as part of the audit process. Mr. Friedman responded that they do speak with OMCA about inventory and are providing some guidance in sampling approach and methodology. Mr. Lopez asked whether RSM has had a reduction in audit hours based on reliance of OMCA's work. Mr. Friedman stated that it has not resulted in a reduction since this is part of the design plan each year and part of the School Board internal controls system is having effective inventory observations performed by OMCA. Mr. Friedman stated that inventory is not considered one of the more significant areas for the School Board from a financial audit perspective and they do rely upon the work of OMCA. RSM's focus is in other areas of the audit outside of OMCA's scope. Mr. Lopez indicated he would like to set up a meeting with Mr. Friedman to discuss these issues.

There being no additional questions or comments, a motion duly made by ABAC member Mr. Kaufman and seconded by ABAC member Mr. Lopez, carried unanimously to approve and file the **The School Board of Miami-Dade County, Florida – Audit Plan and AU 260 Communication for the Fiscal Year Ending June 30, 2021.**

#### **4. Presentation FY 2021-2022 Executive Summary Tentative Budget (INFORMATIONAL)**

Mr. Goodman introduced to the Committee the Executive Summary Tentative Budget Fiscal Year ending June 30, 2022, to be presented by the CFO Mr. Ron Steiger and his team.

Mr. Ron Steiger began his presentation by stating that it had been an odd two years for the budget department and with unprecedented challenges. The 2021-2022 budget is the largest in the School Board's history in the amount of \$7 billion. Mr. Steiger compared the 2021-2022 budget with the budget from FY 2007-2008, where in 2007-2008, the School Board began in excess of \$6 billion, however, by the middle of the year the State had cut by \$100 million.

Mr. Steiger stressed that the increase is not because of an increase of revenue in terms of recurring revenue because that is being reduced by \$250 per student by the State of Florida this year. The federal stimulus funds had a major impact on the School Board and every school district across the country. Over the next 3 years it amounts to \$1.2 billion and will all be recognized upfront resulting in the big increase in revenues. The \$1.2 billion is comprised of ESSER funds II and III. Mr. Steiger stated that the School Board is in a unique position that it is simultaneously broke and at the same time has the most money it has ever had. Mr. Steiger added that it is a difficult year for recurring funds because the amount received per student has dropped by \$250 and the number of students has also gone down, resulting in the School Board being in a tight spot.

The \$1.2 billion dollars are being used not only to invest in those areas related to COVID categorized as accelerating learning, promoting mental and physical health, preparing for and avoiding potential future closures and maintaining operations/retaining MDCPS workforce, but will be used to measure the success of how we used these funds in three years to transform how we do business. Mr. Steiger provided an example: How did we incorporate mental health into MDCPS programs? Did we hire 100 additional mental health professionals that would be let go in three years because the funds are not recurring? That would not be a good use of the funds. If we used the funds as an investment to transform

how MDCPS deals with mental health in the district, then it's successful and sustainable. That is where we are in the ESSER funds. Mr. Steiger asked if the Committee members had any questions.

ABAC member Mr. del Busto thanked Mr. Steiger and his team for a great job on the budget.

ABAC member Mr. Lopez agreed with Mr. del Busto's comment. Mr. Lopez referred to the overall budget increasing by approximately \$1.5 million but having a decrease of \$231.53 per student and asked Mr. Steiger for a clarification as to how that works. Mr. Steiger explained that MDCPS recurring funds per student from the FEFP decreased over \$200 per student at a cost of approximately \$40 million, plus additional cost increases, resulting in MDCPS starting at a negative position of \$60 - \$70 million. Mr. Steiger went on to describe the three federal stimulus funds as follows:

- ESSER I – from the CARES Act, signed into law in March 2020
- ESSER II – the CRRSA Act, signed into law in December 2020
- ESSER III – the American Rescue Plan Act, signed into law in March 2021

The above ESSER funds total almost \$2 billion for MDCPS and charter schools, of which MDCPS received \$1.3 billion starting in FY 2020-2021. Mr. Steiger explained that because the State of Florida experienced a significant decline in sales tax revenue in the amount of \$3 billion, MDCPS expected to take a major reduction. Also, most of our funding comes from sales and property taxes, and MDCPS has the largest share of the State's budget. Of the ESSER funds received by MDCPS, \$60 million was set aside for future revenue losses expected either during mid-year of last year or during the period of budget development.

ABAC member Mr. Lopez referred to the General Fund, specifically the security and custodial services that shows a decrease, which he expected would have increased. Mr. Steiger responded that security and custodial costs are going up, however, what this represents is a shift of expenses, not a decrease, because of a legislative decision by the State. Mr. Lopez asked about the increase of approximately \$100 million in self-insurance estimated claims (Section 8-2). Mr. Steiger explained that in prior years there was a high fund balance in the Internal Revenue Fund, which is not a goal because it's a fiduciary fund and should not be that way. The fund only needs two months worth to cover medical claims because that's how long claims are usually in arrears, therefore they have slowly been working down that reserve by taking a rate holiday, and for the last several years none of the other funds contributed into the Internal Service Fund for one month out of the year. Mr. Lopez asked if this was supported by an actuary report or estimate. Mr. Steiger responded that this is all done through AON.

ABAC Chair Mr. Wendelken commented on the reserve being reduced and asked Mr. Steiger if the reserve will be increased due to what is expected. Mr. Steiger replied that the goal is to maintain it where it needs to be, try not to be too conservative and keep it at just over two months with no intention of trying to raise it. Mr. Wendelken stated that with the expectation of those starting to make their appointments very soon it will average out over the course of the year and the reserve numbers will be in line. Mr. Steiger stated that if we increase insurance next year we will pick that up and the other funds will contribute.

ABAC Vice Chair Mr. Norwood asked whether the federal dollars referred to previously as pools of funds I, II, and III are coming in different stages or if they have been received by MDCPS. Mr. Steiger responded that like all other federal funds, MDCPS is not allowed to have arbitrage on the funds and never allowed to take cash and spend it. Instead, we show the expense and then are allowed to drawdown the funds.

ABAC Vice Chair Mr. Norwood expressed concern about the estimates for ESSER and asked if there was any trepidation that these large estimates will somehow not materialize in funding although the District is planning for it. Mr. Steiger responded that he has no trepidation at all. Mr. Norwood referred

to the large amount of funds for charter schools and asked whether the authorization process was the same for charter school funds and/or if MDCPS is submitting a plan that the charter schools would then receive monies from. Mr. Steiger responded that for ESSER II they have communicated to the charter schools their exact allocations based on the State's calculation on the number of students at a certain date. For ESSER II the authority to spend has already been given to charter schools. Mr. Steiger stated that for ESSER III he does not know what the State's requirements will be and assumes that the State will have charter schools submit their plans through MDCPS as they have done in the past with other federal funds, but he does not know.

ABAC Vice Chair Mr. Norwood referred to the small independent charter schools and the problems they have which has a lot to do with planning and asked whether the charter schools are receiving money or being reimbursed (ESSER III funds). Mr. Steiger stated that everyone has to work on the drawdown model and charter schools are familiar with the process since it's the same way they work with their Title I allocation.

ABAC Chair Mr. Wendelken referred to the \$160 million that has to be spent by September and asked if there are any other timelines that have to be met with ESSER II remaining funds and all of ESSER III. Mr. Steiger responded that he previously had spoken with MDCPS Board Attorney, and both believe the September 1<sup>st</sup> deadline is truly against federal law and not have to follow it, however, that would potentially place MDCPS in a situation of having to sue the State. The deadline that matters are for ESSER I where funds must be spent by September 2022, ESSER II by September 2023, and ESSER III by September 2024. The other deadlines placed by the State would most likely not hold legal water.

No other questions or comments were posed. This item was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

##### **5. Office of Management and Compliance Audits' 2021-2022 Audit Plan (ACTION)**

The Interim Chief Auditor Mr. Goodman introduced the audit plan for FY 2021-2022, which contains audits and related projects that OMCA expects to conduct in the upcoming fiscal year. The draft of the plan was initially presented in the last ABAC meeting in May and elicited extensive discussion. The plan is risk based and consideration is given to factors such as financial impact, time since last audit, audit coverage by other auditing entities, statutory auditing requirements, and concerns of the ABAC and MDCPS Board members. Some of the major risks include information technology/cybersecurity, receipt and expenditure of substantial federal pandemic-related grant funds just discussed, payroll, procurement, supply chain and contract compliance. Mr. Goodman noted that there had been two developments since the last ABAC meeting in May. First, strengthening the IT cybersecurity audit function, which is a priority of the School Board and ABAC. Mr. Goodman stated that he had requested the addition of \$200,000 annually to the budget primarily to augment the two existing IT audit positions with a contracted firm specializing in cybersecurity. Also, he requested the necessary upgrade of the Executive Director of IT Audits to District Director who has been required to take on substantial additional responsibilities overseeing and coordinating cybersecurity testing as previously recommended by the former Chief Auditor, Ms. Gonzalez, in her exit letter. Secondly, a contracted ESSER grant fund position is being added to OMCA for a three year period to contribute to the auditing of controls over the ESSER funds. Mr. Goodman concluded and asked if there were any questions.

ABAC member Mr. Lopez focused on cybersecurity and stated that the \$200,000 will probably cover the risk assessment and penetration test and asked if that was what the funds were earmarked for. Mr. Goodman responded that those items referred to could be services provided by the external firm. Mr. Goodman stated that he intends to place an RFP (request for proposal) to hire a firm which he will discuss with the IT Executive Director to determine what services are needed and expanded further on

the RFP. Mr. Lopez asked what approach would be taken, whether an outside firm would provide specific steps/process at an estimated cost roughly at \$200,000 or see what we can do with the \$200,000. Mr. Goodman stated that OMCA has two inhouse IT auditors, and after speaking with many colleagues, chief auditors from other districts and governments, and also researching the topic, he wants to craft an RFP that will address those things mentioned by Mr. Lopez. Mr. Lopez responded that it's very important that in the \$7 billion budget, MDCPS earmarks funds to have the proper procedures to use an outside firm. Based on his knowledge, the risk assessment and penetration test would use most of the \$200,000. If we are looking to do more, the \$200,000 would not be enough.

Mr. Lopez stressed that MDCPS needs someone inhouse with experience that can liaise with the outside firm to do this work. The knowledge has to reside inhouse because otherwise there will be full reliance on an outside firm. Otherwise, how will MDCPS be sure that the proper issues are being raised and there is proper follow-up and training in place? Mr. Lopez emphasized that training is a key issue in any type of cybersecurity plan, and we need to train MDCPS employees to know what the "bad guys" are trying to do. Emails are received daily, and we need to know when to click on or not click at all. Mr. Lopez continued to express his concern and asked how we bring this all together and have enough funds. Mr. Lopez then described the person's qualities to include someone with eight to ten years experience in cybersecurity (not a generalist) with a salary of \$110,000 to \$120,000. Mr. Goodman responded that he thought the salary would be more than \$110,000 or \$120,000. Mr. Goodman added that OMCA has a team in place, which includes the IT Audit Executive Director who has an outstanding skill set and is a Certified Information Systems Auditor (CISA), a rigorous certification process. This would be the person to interact with any outside firm as is being done currently with the pen test. The model proposed by Mr. Goodman is comprised of the two current inhouse IT Auditors, additional and constant training due to the nature of cybersecurity and the \$200,000 to be used primarily to contract the external cybersecurity firm annually, including a directive from the MDCPS School Board that we have a pen test every other year and is funded in the amount of \$50,000. Mr. Goodman stated that would bring the average cost to \$225,000 a year. He explained that this is consistent with what other large districts and entities are doing. Mr. Goodman gave an example of a smaller school district, Houston Independent School District, whose audit department has one internal IT auditor and contracts with a firm for about \$300,000 annually to do IT and cybersecurity work. Also, he mentioned Broward County has two IT auditors inhouse and contracts with a firm annually to do cybersecurity and IT work that ranged between \$75,000 to \$140,000 over the last few years. Mr. Goodman stated that after much discussion he believes this is the best way to move forward. Mr. Lopez stated that he wants to make sure that instead of throwing out \$200,000, that we take a step back and assess what we want to accomplish, what is the IT/cybersecurity plan for the year, what do we want an outside firm to do, determine what the approximate cost would be and then come up with a number. Mr. Lopez stated that he is not questioning Mr. Goodman's plan but instead the amount. Additionally, Mr. Lopez stressed that this is not just about having an IT auditor, instead this is about having someone in house with the experience and who thinks like the "bad guys", someone who will be a step ahead and more importantly, what an outside firm will do. Certain experience is needed internally to deal with this matter and its not an IT auditor.

ABAC member Mr. del Busto concurred with Mr. Lopez and continued the topic on cybersecurity. He added that this is an evolution where we might find something in three months and need to pivot and change from this plan. His concern is not funding since that might have to change anyway and is not relevant at this time because cybersecurity is changing faster than planning that far ahead on the pen test. Mr. del Busto stated that an experienced IT auditor is needed to check the software that is currently being used internally in addition to the testing to ensure that the software used is evolving with cybersecurity. The cybersecurity today works a certain way, however, tomorrow you might have to pivot



and change it quickly. Going forward, we need to be nimble and set the objective before setting a dollar amount.

ABAC member Mr. Lopez referred to page 13 (footnote six) of the plan and commented on the four full time and two part time positions currently open. He expressed his concern that with the additional work discussed earlier, including the testing of ESSER funds and cybersecurity, if there is a timing or concern that we would not be able to carry out the procedures. Mr. Goodman stated that they are filling those positions including the chief auditor/assistant chief auditor position, staff auditors and administrative assistant position. Added in the audit plan and budget is the ESSER funded position for three years that will help audit the ESSER funds MDCPS is to receive and believes, based on OMCA's resources, that the audit plan is doable. Mr. Lopez inquired if Mr. Goodman was concerned in filling the positions and completing the work. Mr. Goodman stated that he is concerned about filling the positions, but three positions are currently in process of being filled. Mr. Lopez cautioned of the current hiring climate and having to compete with public accounting firms that are understaffed. Mr. Lopez stated that it is making it very hard to find people, specifically since substantial money is being offered to recruit workers and the possible need to have "Plan B" if these positions cannot be filled timely. Mr. Goodman thanked Mr. Lopez for his excellent points. Mr. Goodman explained that the positions had been advertised with reasonable responses for the lower level positions and also getting the three year grant funded position, which he has some ideas on how to fill the position. Mr. Goodman further explained that he doesn't believe there is a need for more than the 40 positions as reported on the audit plan plus the ESSER grant funded position. Mr. Goodman discussed the vacancy of the Chief Auditor/Assistant Chief Auditor and the impact on OMCA.

ABAC member Mr. Kaufman asked the Interim Chief Auditor if he had enough staff to complete the plan. Mr. Goodman responded yes.

There being no additional questions or comments made by the Committee, a motion duly made by ABAC member Mr. Kaufman and seconded by ABAC member Mr. Hunter-Johnson, carried unanimously to recommend that the **Office of Management and Compliance Audits' 2021-2022 Audit Plan**, be received and filed by the School Board.

## **6. Internal Audit Report – Selected Schools/Centers (ACTION)**

Interim Chief Auditor Mr. Goodman referred to the subject internal audit report of 80 schools/centers of which there were no audit findings, and all the schools' financial statements were fairly stated. Mr. Goodman commented that both the internal funds and property audits are statutorily required, and he brought to committee members' attention that the State of Florida rules and laws were amended in October 2020, increasing the threshold of property and equipment that must be inventoried, tagged and audited from a cost of \$1,000 or more to \$5,000 or more. He then introduced Ms. Wain, District Director of School Audits, and stated that Ms. Wain was to provide more details on the item.

Ms. Wain presented the July internal audit report consisting of the audit results of 80 schools/centers and briefly summarized the audit report as follows:

- The report is the last audit report for the fiscal year;
- The audit scope is one fiscal year ending June 30, 2020 for all schools/centers;
- Schools reported to the North or South regions, Office of Adult Technical within School Operations and the SBAB cafeteria (Hospitality Services);
- At six of the school school/centers, there was a change in Principal since the prior audit;
- School audit results were satisfactory, and the financial statements were fairly stated for all 80 schools/centers;

- Property inventory audit was conducted at all 80 schools/centers in addition to 23 schools whose school audit results were not completed on time;
- Property inventory audit results were mostly satisfactory, and losses reported were minimal; and
- No audit findings to report for these schools/centers.

Ms. Wain concluded and asked the ABAC members if they had any questions.

ABAC member Mr. Lopez and Mr. Kaufman congratulated Ms. Wain and those involved.

ABAC Chair Mr. Wendelken followed up on a statement made earlier by Mr. Goodman regarding the increased threshold amount for property and asked how much would drop off as a percentage of the items being tagged and inventoried. Ms. Wain responded that in regard to the recent change in the State rules, it's up to the District to decide what threshold amount to use for reporting property as long as it does not exceed the \$5,000. The \$1,000 threshold has been in effect since 2008, and the Administration will have to decide. Mr. Wendelken asked whether the committee should consider making a recommendation as far as going from \$1,000 up to \$5,000 and taking the preemptive step in deliberating on this item considering the School Board is going to be thinking about this. Mr. Goodman responded that he's had dialogue with the administration on how they are going to go forward with this and didn't think the District is ready for that. More analysis is needed. Mr. Goodman indicated that in approximately six months the administration will likely have a recommendation for the ABAC and School Board on whether to increase the threshold amount or maintain it at \$1,000. Mr. Goodman wanted to apprise the ABAC members that this is going to happen soon. Mr. Wendelken agreed that this is information members need to know and will address later.

There being no additional questions or comments, a motion was made by ABAC member Mr. Hunter-Johnson, and seconded by ABAC member Mr. Lopez, which carried unanimously, to recommend that the **Internal Audit Report – Selected Schools/Centers**, be received and filed by the School Board.

#### **7. Presentation of 5 Community Based Organizations (CBO) Audited Financial Statements for various fiscal years ending in 2020 (ACTION)**

Interim Chief Auditor Mr. Goodman introduced the item and stated that the item is a review of the audited financial statements of five Community Based Organizations contracted to provide alternative education services to MDCPS students. Mr. Goodman provided the following:

- AMIkids Miami-Dade, Inc., audited without exception or adverse findings;
- Pace Center for Girls, Inc. and Affiliates, audited without exception or adverse findings;
- Richmond-Perrine Optimist Club, Inc. of Miami Florida, satisfactory financial position but received a management letter comment relating to the provision of services during the COVID-19 pandemic;
- Acceleration Academies, LLC, varying degrees of financial issues; and
- Path Academy, varying degrees of financial issues.

Mr. Goodman stated that MDCPS Division of Education Opportunities and Access and OMCA staff has had extensive conversation with the management of Acceleration Academies and Path Academy. Both have provided significant documentation addressing the financial issues. Mr. Goodman concluded by introducing Internal Audit Supervisor Mr. Michael Hernandez, Dr. John Pace, Chief Operating Officer, Mr. Luis Diaz from School Operations, and representatives from the CBO's to address any questions or comments from committee members.

ABAC member Mr. del Busto asked when the corrective actions will be completed. Mr. Goodman responded that one of the CBO's with financial issues provided a guarantee that if during the school year they run out of money, the parent company will step in and provide cash to keep the school operating. That's the corrective action. Also reviewed is the audited information from their parent company to ensure they have the ability to step in. Mr. Goodman stated that the District Administration (Alternative Education) and OMCA will continue monitoring the two schools and referred to past correspondence with the CBO's in an effort to provide the District, the ABAC and the School Board a comfort level that the CBO's will be able to continue through the next school year. Mr. Goodman added that members of the CBOs, along with District staff, are present to discuss what was provided and the plan. Mr. del Busto asked how often the monitoring will be done, if monthly, quarterly, to ensure this doesn't get away from us and then six months later something happens. Mr. Hernandez replied that OMCA will be receiving the next set of audited financial statements 90 days after July 31 for one of the two CBOs with fiscal issues, so there should be an answer soon as to whether these actions have been effective or not. The other CBO has a December 31 year end, therefore, we're having to wait a little longer for their audited financial statements to be received in March. Their unaudited financial information shows they are operating with a surplus in this current fiscal year, and we will see if the operating surplus still exists when they have their year end audit. Mr. del Busto replied that he did not agree to wait until December for their financials to come in but instead to look at their inhouse statements or other information prior to December. Furthermore, by the time the December statement is received in March nine months down the road, that might not be viable. Mr. Goodman responded that his point is taken and will make sure that OMCA is vigilant in following up on a monthly or quarterly basis.

ABAC member Mr. Lopez referred to the TVG Catapult Holdings having a guarantee and some selective financial data and asked whether that information has been looked at or it's just information provided when OMCA looked at the financial statements. Mr. Lopez referred to the areas of profitability and cash flow. Mr. Goodman responded that this is the parent company of Path Academy. We asked for and received from them the executed guarantee that if Path Academy does not have the money, they will step in and provide it. Secondly, to ensure the parent company has the ability to do this, we requested the parent company financial statements. The company is private, and statements contained proprietary information, therefore they were hesitant to provide them. OMCA and MDCPS Administration proffered that they provide selected financial statement data, such as their net position, current assets, current liabilities and cash position. Their audit firm provided a letter confirming the numbers ensuring that the parent company has the ability to meet the guarantee if needed. Mr. Hernandez stated that the purpose was to determine if the parent company (TVG Catapult Holdings) had the willingness and ability to step in should the need arise during the upcoming school year based on the financial numbers on their last audited financials. The financial data was provided, and through the guarantee, they did show the willingness to step in if needed.

ABAC Chair Mr. Wendelken mentioned that representatives from Path Academy are present and available to address the committee. Mr. Hernandez referred to Mr. Dave Wood and Mr. Joe Driscoll attending virtually.

Mr. Driscoll stated that he had been working with Mr. Hernandez during the last few months to provide some financial information for both Path Academy and the Parent Company. Mr. Driscoll stated that the company has multitudes of divisions and the financial resources to support the school. The school itself is a contributor to the overall organization and is a valuable part of the business. He stated that they have shown support to Path Academy by signing the guarantee, which he hopes will be enough.

ABAC Chair Mr. Wendelken thanked Mr. Driscoll and asked if the guarantee to support the school is at 100% continuity of services/expenses and not during a wind down. Mr. Driscoll responded that it is for the entire school year, not a wind down, and mentioned in the guarantee that they would support the entire school year.

Mr. Wendelken asked if there were any other questions for Path Academy. None heard.

Mr. Lopez noted for Acceleration Academies that of the alliance it shows there has been a restructuring, statements through the five months show profitability, \$3.1 million debt of which interest payments have begun, however, information on the principal and terms of the debt are not provided and asked whether the debt is current or is in default. He also asked if the holder of the note can step in and call the note.

Mr. Hernandez referred to Ms. Holly Lane who was present and representing the charter school.

Ms. Lane introduced herself as the CFO of Acceleration Academies and responded that the notes are held directly by the largest investors that have provided \$4 million to both of the companies that have merged. The March interest payment has been paid in the approximate amount of \$100,000 as well as the June payment. Ms. Lane mentioned that they are considering but have not yet determined how much principal will be paid down this year. They are not in default. It's a 10% note and they want to refinance to bank debt soon, which is part of the company showing profitability, which the company has not done in the past. Ms. Lane stated that the company has turned around, the accounts payable is current and the former CFO has been replaced. The second largest investor is now at the company. He is head of the tech software company that they merged with and is a very logical and purposeful manager. They have tightened up on disbursements. Ms. Lane mentioned some of the former CFO's activities and having significant conflict of interest with the company. These facts were provided in January at the first Board meeting. Ms. Lane mentioned that they had just finished their Board meeting last week with the June 30 financials, however, what members may have is up to May 31, and Acceleration Academies is about \$1 million in profit year to date, and with the other company, Education Insights, it is approximately \$400,000. So together they are a little under \$1.4 million at six months. Compared to last year, that is a difference of \$2.4 million.

Mr. Lopez commented that it appeared that this was mismanagement, as you've been able to bring in a team and turn it around. Mr. Lopez asked if the amount of expenses going to the firm owned by the former CFO were at market cost or have you been able to get the cost at a lower amount. Ms. Lane replied that it's hard to say, but the company was removed because they didn't want to deal with them anymore, and it wasn't a positive relationship. She again stated that she didn't know if she could comment if it was market. They did review things for reasonableness, and at that high level it was probably reasonable. Mr. Lopez referred to Ms. Lane's comment on the debt being current and asked for the terms of the debt as far as principal payment. Ms. Lane responded that the principal is deferred until 2023 but is nearly certain they will refinance, payoff the investors and then move to bank debt, which will be cheaper than the 10% that is being paid now. Mr. Lopez asked if they had something in writing on the deferred principal payment until 2023. Ms. Lane responded yes, however, she was not sure of the note's term date and stated that they are deferred on principal but are making current interest payments.

ABAC Chair Mr. Wendelken asked Mr. Goodman and Mr. Hernandez if they wished to add anything, both declined.

There being no additional questions or comments, a motion was made by ABAC member Mr. Kaufman, and seconded by ABAC member Mr. Lopez, which carried unanimously, to recommend that the **Presentation of 5 Community Based Organizations (CBO) Audited Financial Statements for various fiscal years ending in 2020**, be received and filed by the School Board.

## **8. Information Technology/Cybersecurity (INFORMATIONAL)**

Interim Chief Auditor Mr. Jon Goodman introduced item 8a update on the status of the Network Penetration Test conducted by RSM in accordance with School Board Agenda H-14 Revised Good Cause approved at the Board's meeting of September 9, 2020. The testing was conducted in June and

OMCA is scheduled to review a draft of the report with the external firm later this week. Once the report is finalized, it will need to be presented to the School Board and Audit Committee in confidential executive sessions. Mr. Goodman also introduced item 8b new School Board Policy 9146 -Technology Advisory Committee. The establishment of this committee was proposed by School Board/ABAC member Ms. Mari Tere Rojas through agenda item H-10 Revised and approved at the April 21, 2021 Board Meeting. The establishment of the committee was a recommendation in the OMCA Audit of Readiness to Implement a Technology Platform that was presented to the School Board at its March 17, 2021 meeting. Mr. Goodman stated that staff from ITS, OMCA and the Administration is present to address questions or comments from ABAC members.

Mr. Jaime G. Torrens, Deputy Superintendent, commented that as previously stated by Mr. Goodman, the item was approved by the Board and is a new policy in effect now and presently in the process of constituting the membership of the committee. The committee will consist of eleven members, one appointed by each School Board Member and two by the Superintendent. The intent is for it to be similar to this committee with individuals with a certain degree of expertise in the field of IT and IT security. The committee will meet quarterly once it is constituted. He anticipates receiving from the School Board and the Superintendent responses by mid-August of their appointees and alternates, with a target of the first meeting of the committee in late September or early October once the school year is underway and able to dedicate resources to do this very important work. Mr. Torrens stated that this is a commitment of the Superintendent, IT staff and the School Board to improve MDCPS' overall IT security, and this can become a valuable resource for MDCPS to tap into experts that may have experience MDCPS does not have internally. Mr. Torrens stated that staff from ITS is present for questions from the committee members. ABAC Chair Mr. Wendelken stated that he would like to give the new committee their first homework assignment: To assist on the concerns previously discussed between Mr. Lopez and Mr. Goodman on the monies available and the list of items needed for services, whether they can be done internally (inhouse) or externally. Mr. Torrens agreed. ABAC member Mr. Lopez asked for the expected date for the committee to be in place. Mr. Torrens stated they expect the first meeting to be late September or early October to give time for the appointees to be selected, no later than that. This will allow them to get through the opening of schools and staff it appropriately and have the resources internally to provide information to the group that will be convening.

ABAC member Ms. Anna Hochkammer suggested a point of confluence between this new advisory committee and the ABAC would be her ongoing concern that an appropriate inventory be done of MDCPS' liability given the amount of personal information (student and employee) that is stored in MDCPS' technology system. Ms. Hochkammer stated that this was mentioned in a previous meeting and is unsure whether this committee or the new advisory committee is the right group to push it forward, but she believes its something that needs to be addressed quickly. MDCPS' liability is a lot greater than what we imagine and need to do a comprehensive review of the coverage carried by the vendors that provide us with software and other technologies that will add to our liability. Mr. Goodman agreed with Ms. Hochkammer's comments.

ABAC member Mr. Norwood asked Mr. Goodman how ABAC and the new committee interact with his recommendation for the technology audit requested. Mr. Goodman stated that, as Ms. Hochkammer stated, he believes the committee should weigh in early on what OMCA's co-source is in terms of cybersecurity and risk assessment auditing functions. The new committee should play a large role in the issues discussed, specifically as far as how much money is needed to co-source and as well as all other cybersecurity issues.

No other questions or comments were posed. This item was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

## **9. Office of Management and Compliance Audit's Activity Report (INFORMATIONAL)**

Interim Chief Auditor Mr. Goodman introduced the item and stated that this report details the status of audits and related activity since the last ABAC meeting of May 11, 2021. Mr. Goodman congratulated and introduced OMCA employee Ms. Wanda Ramirez, former FTE auditor, who recently graduated from Florida International University in May with a bachelor's degree in accounting and was recently promoted to Staff Auditor II in June 2021. He also congratulated Ms. Sandra Lainez, OMCA Senior Auditor, who recently passed all parts of the CPA exam. Ms. Lainez has worked with OMCA primarily as a school auditor since 2016.

Mr. Goodman introduced Mr. Arthur Soule, recently appointed as an investigator in the Civilian Investigative Unit. Mr. Soule's background includes investigative experience in personnel and finance and served nine years in U.S. Air Force military police.

Mr. Goodman introduced Nathan Belizire who recently joined OMCA as part of MDCPS' 2021 Summer Youth Internship Program. Mr. Goodman complimented his work.

ABAC members generously applauded all the announcements.

No other questions or comments were posed. This item was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

## **10. Update on Chief Auditor Search (INFORMATIONAL)**

Interim Chief Auditor Mr. Goodman introduced Dr. Dawn Baglos, Chief Human Capital Officer, who oversees HR to provide an update on the Chief Auditor search.

Dr. Baglos wished members and attendees a good afternoon. Dr. Baglos stated that they presently have five candidates who have submitted applications for Chief Auditor. The search has been extended through the end of July 2021 with a revision to the starting salary provision. Dr. Baglos referred back to when it was first posted when the salary was referred to as a minimum starting salary of \$150,000, commiserate with experience. When it was reposted, it had a range to indicate that it could and would increase depending on the experience. The range that was discussed in the last committee meeting was for the starting salary of \$150,000 to \$165,000 giving an indication that it could and would go up given it was appropriate. Subsequently we now have five applicants and is open until the end of July.

ABAC member Mr. del Busto asked whether the candidates are external. Dr. Baglos responded no, there is an internal candidate and several external candidates.

ABAC member Mr. Lopez asked about the process on the timing since it was extended to the end of July and asked about the next steps and dates. Dr. Baglos replied that it may be too early to have the conversation at this time. The conversation with the Board on the day of the committee was that it wasn't about the quality of the applicants at this point, because the Board has not seen the applications and qualifications that have been submitted, but that the Board and ABAC members would need a number of applicants to review to find the most qualified person to fill the role. In 2018, there were eight or nine applicants that the ABAC was able to review, and subsequently, the Board had an opportunity to make a decision. At this point, it's a matter of finding a qualified pool for the ABAC and the Board to review. Additionally, Dr. Baglos stated that her thought is that approaching the end of July, they will monitor the number of applicants they have and have conversations with the Board to make decisions on how to proceed from there.

ABC Chair Wendelken thanked Dr. Baglos.

No other questions or comments were posed. This item was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

**11. Office of the Inspector General Report – Review of K12 Florida, LLC Transfers of Funds to the Foundation for New Education Initiatives, Inc., Ref IG-20-0008-SI (INFORMATIONAL)**

Interim Chief Auditor Mr. Jon Goodman introduced Mr. Thomas Knigge, Special Agent from the Inspector General Office, and his team to present the item of the transfer of funds to the Foundation for New Education Initiatives.

Mr. Knigge wished members a good afternoon. Mr. Knigge stated that it is with regret the Inspector General is unable to attend the committee meeting. It was his intention to be at the meeting, but a pressing issue developed and therefore was unable to attend. However, he did prepare some remarks that he will present to the ABAC members. Mr. Knigge started by stressing that the report repeatedly acknowledges the hard work by teachers and commitment to their students, profession, and the public. He expressed his office's utmost respect and esteem for the Superintendent and thanked him for his cooperation and courtesy extended by him and his staff, not only during the review, but his support for the Office of the Inspector General during the many years they have served the District. Mr. Knigge thanked Ms. Ann de las Pozas, Executive Director of the Foundation for New Education Initiatives, and Mr. Nate Davis from K12 for their cooperation during the review. The following details were provided by Mr. Knigge:

- The review was initiated upon learning on the School Board meeting of December 14, 2020, that a transfer of \$1.57 million was made by K12 Florida LLC, a virtual platform provider to the Foundation for New Education Initiatives, a direct support of MDCPS, for disbursements to teachers in the form of \$100 gift cards.
- Donation was solicited by the Superintendent based on a suggestion by District administrator in recognition of teachers that had experienced considerable frustration due to K12 learning management system (LMS) issues.
- The LMS issues prevented teachers from loading required course content into the program resulting in many teachers working extended hours and weekends, and the system still did not work.
- During this time, the \$15 million contract for K12 system was pending final execution by the Superintendent.
- The review was initiated to determine how the donation came about and whether the solicitation of the donation from a vendor pending execution of a contract created violations or prohibitive conflicts of interest pursuant to the State's Conflict of Interest and Code of Ethics statutes and School Board policies.
- No violations and no wrongful intent were found of any individuals or District staff involved in the review.
- No evidence was found that the vendor was coerced or pressured to make the donation, however, their analysis of School Board Policy 1210.01, part of the School Board Code of Ethics, states that an employee agrees and pledges to avoid conflict of interest or the appearance of impropriety.
- The Office of the Inspector General believes that the appearance of impropriety is present when in this instance a vendor is solicited. The vendor was pending the execution of the contract but was also an active vendor providing services to MDCPS under a separate contract.
- In January 2021, the School Board amended its policies which now prohibits donations to any School Board Direct Support Organization (DSO) by anyone having pending bid solicitations, proposal or contract for District goods or services. No District employee who

has procurement authority for District goods and services shall solicit or accept a donation from anyone having a pending bid solicitation, proposal or contract award for goods and services.

- At the conclusion of the report, five recommendations are made. One to the School Board and four to Foundation for New Education Initiatives (FNEI).

Mr. Knigge concluded his presentation and made himself available to committee members for any questions.

Mr. Wendelken asked if ABAC members had any questions or comments on the item. None heard. This item was presented for informational purposes only.

During old business School Board Vice Chair Dr. Steve Gallon III, wished everyone a good afternoon and asked to speak on the previous item, the Inspector General report. Dr. Gallon asked how to proceed since the item had already been discussed by the committee. Mr. Wendelken asked Mr. Harvey, School Board Attorney, how to proceed. Mr. Harvey stated that if there are no objections from the assembly, Dr. Gallon's comments can be taken regarding the item. Mr. Wendelken asked if his comments can wait until after they finish with old business. Dr. Gallon agreed.

Once old business was discussed and completed, Mr. Wendelken acknowledged Dr. Gallon to discuss the IG report.

Dr. Gallon stated that he had been steadily participating in the virtual meeting and listening to the extensive comments. Dr. Gallon expressed his thanks to the committee members for their service, dedication and more importantly their time. Dr. Gallon stated that he had raised his hand and thought there would be some additional discussion relative to the IG report, but there was none and felt he would be remiss if he did not acknowledge the tremendous unanimous support on Board Agenda Item H-10 Revised that was approved no more than eight days after the release of the IG report. Dr. Gallon thanked the Board Chair, Ms. Tabares Hantman, for her leadership and the entire Board for their unanimous support of that item. The item is before the ABAC committee members and asked if each committee member had the item in their packet. Mr. Goodman responded that yes, they do. Dr. Gallon stated that the IG did reference some highlights of the item and we were all remiss in not thanking the IG for their professionalism, integrity and work on this particular issue and a myriad of issues they've addressed on behalf of the School Board. Dr. Gallon referred to Board/ABAC member Ms. Rojas' absence in the meeting or on the line, but Dr. Gallon, as the Vice Chair, wanted to thank Mr. Knigge and his team for the diligence, patience and the professionalism in which they brought forth the five recommendations. Dr. Gallon stated that the Board item H-10 Revised had three recommendations and the item was unanimously approved by the Board. He referenced the first recommendation, which was to accept recommendation number two of the IG report and direct the School Board Attorney to draft a response on behalf of the School Board to be approved and executed by the School Board Chair affirming the same. Dr. Gallon directed the committee members' attention to recommendation number two relative to the number of issues they were able to determine, most significantly relevant to the audit committee was the discontinuation of the use of District's procurement card by the Direct Support Organization (DSO) that was revealed in the report and that the card was available to the DSO. That recommendation stipulated that it is to be discontinued and not have MDCPS employees/personnel that are not officers of the DSO serving as signers on the DSO's bank account. Dr. Gallon wanted to highlight those areas, and even though the statement was made relative to accepting the recommendations, this item did take a deeper dive and looked at ways MDCPS can improve some internal controls and can provide for some greater degree of accountability and transparency; those were two significant elements of the recommendation that was unanimously approved by the Board. Also, Dr. Gallon stated that those are significant provisions that do not speak to arm's length and may pose a greater conflict in the future. He wanted to make that comment for the record since there was no conversation relative



to the item, but the item was unanimously approved by the Board and there will be some subsequent follow up no later than August 13, 2021. Dr. Gallon stated that, on behalf of Board Chair Ms. Tabares Hantman, he thanked all members of the Board and thanked Board/ABAC member Ms. Rojas for her work and representation on the ABAC committee.

Board Chair Ms. Tabares Hantman wished a good afternoon to the ABAC members and those in attendance. She stated that she had been listening to the whole ABAC meeting and was glad that Dr. Gallon asked to speak on the item regarding the Inspector General report. Ms. Tabares Hantman thought that perhaps the committee members did not have the IG report but believes Mr. Baluja or Mr. Goodman indicated that they did. Ms. Tabares Hantman thanked on behalf of the Board the Inspector General and staff for their professionalism. It gives her as the Chair great confidence to have the Inspector General and staff going through what they think is important regarding all the issues concerning the School Board. Ms. Hantman also spoke favorably about Board Agenda Item H-10 Revised. Mr. Wendelken thanked Ms. Tabares Hantman and Dr. Gallon for staying through the meeting. Mr. Wendelken wanted it to be known that Ms. de la Pozas, Executive Director, FNEI is present and asked if she wanted to make any comments. Ms. de la Pozas declined.

No other questions or comments were posed. This item was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

#### **OLD BUSINESS:**

#### **Update on Keys Gate Charter High School Contract Renewal (INFORMATIONAL)**

Interim Chief Auditor Mr. Goodman introduced the next item, an update from the Administration on the Keys Gate Charter High School and their contract renewal process. Dr. John Pace, Chief Operating Officer, and his team were present to address the topic.

Dr. Pace wished the ABAC members a good afternoon and provided an update as follows:

- In May 2021, they conducted the charter school contract review committee for Keys Gate.
- Keys Gate requested a five-year renewal. The committee granted a four-year term to align with years remaining on the five-year financial monitoring plan which began last year.
- The School Board approved the four-year renewal on the June 23 Board meeting.
- The school will continue their financial monitoring plan which has a quarterly report due to the charter school compliance and support office.
- MDCPS will continue to monitor their finances.
- The audited financial statements for last year did not indicate a deteriorating financial condition or an emergency financial condition and does not meet the criteria to close the contract.
- At the end of the year, they will not have a clear and objective indication of the school's progress until they receive the audited financial statements due September 15, 2021, and withhold any assessment until that time, particularly given the influx of federal funds.
- They will continue to closely monitor the school's financials for the term of the contract.

Dr. Pace concluded his presentation and asked if there were any questions from the ABAC members.

ABAC member Mr. del Busto asked if the charter school had started paying their management fees or rent. Dr. Pace directed the question to his staff. Ms. Mahati Tonk, District Director, Charter Schools, responded and stated that they are not aware of any changes of the school beginning to pay the previous management fees or waived rent.

ABAC Vice Chair Mr. Norwood mentioned past discussion on this charter school, the hopeful expectation in negotiating the new contract and how it would materialize. He asked Ms. Tonk what actually happened, the penalties if the school does not abide by the agreed financial recovery plan and to provide details. Ms. Tonk responded that the plan is called a voluntarily financial plan, previously called a financial corrective plan, but because that is a statutory term, it does not technically fall under the statutory requirements and the plan is now called a financial plan. In terms of repercussion, the school had requested the full five-year term and wanted even a longer term for the purpose of being able to obtain better financing agreement. The District and the contract review committee did not agree to those terms. Also, remaining on the financial plan is a consequence of the school's financial condition and sending the quarterly deliverables, which will be closely scrutinized by her office throughout the rest of their term.

ABAC member Mr. Lopez asked how the four-year term period was determined and thought, based on the financial instability, a shorter period would have been preferred and then reviewed on a quarterly basis and grant an extension at the proper time. Ms. Tonk responded that the four years was determined to align with the remainder of the financial plan.

ABAC Chair Mr. Wendelken asked Mr. Steiger regarding ESSER I, II, and III if rents are eligible expenses for forgiveness. Mr. Steiger responded no. Mr. Wendelken asked if Keys Gate is allocated any of the funds. Mr. Steiger responded yes; they will definitely be allocated funds based on FTE. Mr. Wendelken expressed his concern of a considerable amount of money being given to a school that may not be a viable entity and asked if there is any process to manage that money. Mr. Steiger responded that MDCPS cannot place anymore restrictions on Keys Gate than the Federal or State will and is held to the same assurances as MDCPS. Ms. Tonk will be working with the charter school regarding ESSER II and III to make sure the funds are spent appropriately, but it is not her role or MDCPS' to judge what their spending is appropriate, but really more if it's legal. If it's legal, that Board has the authority to do what they need to do. Mr. Wendelken responded that he has no problem with that and thanked Mr. Steiger.

ABAC member Mr. del Busto asked if there is any other charter school that doesn't pay rent. Ms. Tonk responded not that she is aware of. Mr. del Busto requested if that information can be provided for the next meeting. Ms. Tonk responded that she would provide a definitive answer.

ABAC member Ms. Hochkammer referred to the ESSER funds and stated that from a municipal/county government perspective, it's understood that if funds are misspent, subsequent to misspending the funds (CARES, American Rescue Plan, and other funds) we will be liable to make the government whole for those misspent funds. Ms. Hochkammer asked whether in this situation, and these funds being after the fact drawdowns by the charter school, if a subsequent audit of those expenses finds that this school or any other charter school used the funds on things not legal or intended, is MDCPS or is the charter school management company liable for the making the government whole. Mr. Steiger responded that it is the responsibility of the charter school board, however, in the past there have been times the charter school board is no longer there and then it's a conversation with the auditor in question on whether the School Board will be liable. Mr. Harvey responded that this is new territory but based on his experience, in instances when there is a disallowance by a charter school, typically there is a process by which there is a request for that money to be paid back, then to justify the expenditure and following that process you get into a repayment and/or dispute process. In a case where the school has expended money, there is a pure disallowance and the remedies have been exhausted, he believes the charter school would be liable. In cases where the charter school has become insolvent, the process of insolvency would be pursued and typically you would look at the Board of Directors, look for personal liability against them in some respects if you can find them and look to see if they have EPLI policies. Usually when it's a nonprofit charter school, it's very difficult to recover that money after its expended. Mr. Harvey stated that he understands why the committee is so concerned and dedicated to the issues

of spending those funds upfront as opposed to having to deal with making sure the proper safeguards are in place. Ms. Hochkammer stated that she understands the State is remitting the funds directly to the School Board and asked if the State is remitting the ESSER funds directly to the charter schools or flowing through MDCPS and then going to the charter school accounts. Mr. Steiger responded that it's a drawdown process; the charter school will submit to MDCPS their expenses and MDCPS will go through the process of drawing it down. The charter schools don't have the capacity to drawdown themselves. Ms. Hochkammer asked, given the particularity of the situation, the short term of the contract and the financial vulnerabilities of this charter school, has there been any thought in hiring an outside consultant to check those expenses rather than risk it. Mr. Steiger responded that their decision was to buffer up their internal staff, whether in charter school's department or in his bureau. We will get extra help but it will be our own.

No other questions or comments were posed. This item was presented for information purposes only; therefore, no transmittal to the School Board by the ABAC is required.

### **NEW BUSINESS**

The Committee did not have any new business to discuss.

### **ADJOURNMENT**

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Since there was no further business to come to the Committee. Mr. Stephen Hunter Johnson made a motion to adjourn at 3:15 p.m. and it was seconded by Mr. Albert Lopez.

JG:em